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THE
CO-OPERATIVE MOVEMENT IN INDIA.

EDITED BY

PANCHANANDAS MUKHERJI, M. A., F. R. E. S:

1917

INDIAN CITIZEN SERIES.

EDITED BY

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PREFACE TO THE SECOND EDITION.

In this edition I have attempted within a brief compass to give a comprehensive survey of the phenomenal development of the co-operative movement in India. After describing the origin and development of co-operation in the West, I have given brief accounts of some of the recent developments of co-operative enterprise in Europe, in the hope that they may be adapted to the needs of India and established here in suitable centres. I have then traced the progress of the co-operative movement in India from its earliest stages to the present day : in doing so, I have not only explained the nature and underlying principles of the different forms of Indian co-operative institutions, but have also incorporated the model by-laws (of 14 different kinds of Societies) issued from, and kindly supplied to me by, the Registrars of Co-operative Societies in different provinces. These by-laws would be useful not only to the practical co-operator, but also to the student of economics who will find therein practical applications of the abstract theories of co-operation. If the student desires to help forward the greatest and the most potent modern economic movement in India, and to introduce his less favored fellowmen to the blessings of a full economic life, he should not only learn the theories and principles of co-operation, but he should know also how to form Co-operative Societies.

I cannot adequately express my indebtedness to Rai J. M. Mitra Bahadur, M.A., the indefatigable Registrar of Co-operative Societies, Bengal : I am indebted to him not only for the Introduction which he has very kindly written for my book, but also for the ready help which he has given me on numerous occasions in the course of the preparation of this

volume. Indeed it is not too much to say that but for his help it would not have been possible for me to give the book so thorough a revision.

I am also deeply thankful to Mr. R. B. Ewbank, I.C.S., Mr. C. W. Dunn, I.C.S., Mr. H. R. Crosthwaite and Khan Bahadur Mohi-uddin Ahmed, Registrars of Co-operative Societies of Bombay, Burma, Central Provinces & Berar, and Bihar & Orissa, respectively, who have very kindly supplied me with valuable co-operative literature issued from their Departments on which I have freely drawn in the preparation of this volume.

My grateful thanks are also due to Prof. J. C. Coyajee, B.A., (Cantab.), L. L. B., for permitting me to reprint from the *Bengal Co-operative Journal* his admirable article on "Non-co-operative Agricultural Banks vs. Co-operative Credit Institutions." (Chapter XVIII of the book) which is a noble vindication of the Indian credit co-operative movement against the attacks of some well-known critics.

Sir Frederick Nicholson's and Mr. Cahill's comprehensive Reports, the writings of Wolff, Fay, Morman and Herrick, the files of the International Review of Agricultural Economics (Rome), of the Agricultural Journal of India and of the Bengal Co-operative Journal – and lastly, that *magnum opus* on Indian Co-operation—the Report of the Imperial Committee on Co-operation presided over by the Hon'ble Sir Edward Maclagan, K.C.I.E.,—have all been freely drawn upon by me in preparing this volume.

An entirely novel feature of this edition is the inclusion in it of the Co-operative Societies Act (II of 1912) which has been fully annotated by me in close consultation with my revered father, Babu Lalmohan Mukherji, B.L., the author of "*Indian Case-law on Ejectment*."—These annotations, which, I am glad to be able to acknowledge, have been very carefully revised by Rai J. M. Mitra Bahadur, will, I hope, be

found useful by all practical co-operators. The Appendices contain recent Indian statistics, the Government of India Resolution on the Growth of Co-operation in India (1914) and the Abstract Report of the Imperial Committee on Co-operation.

By prescribing this book as a text for the B.A. examination in Economics, the authorities of the Calcutta University have greatly encouraged me and their appreciation has been an incentive to further efforts and further improvement. I shall deem my labour to be amply repaid if this book is equally appreciated by the wider public of Indian co-operators and students of economics generally.

I should like to take this opportunity of thanking Babus Syamapada Banerji and Nirapada Banerji for the great assistance they rendered to me in passing the book through the press.

There was some difficulty in getting the paper which was being used for printing the book. To avoid delay some forms of the book have been printed on a different kind of paper.

PRESIDENCY COLLEGE : }
Calcutta : Jan. 22, 1917. }

P. MUKHERJI.

PREFACE TO THE FIRST EDITION.

This little book grew out of a lecture delivered by me at a meeting held at the Calcutta University Institute on the 17th of August 1910, under the presidency of Mr. Manohar Lal, M.A., (Cantab.) the then Minto Professor of Economics. In it I have made an humble attempt to acquaint the students of our University and the educated public of this country with the principles, progress and effects of the co-operative credit movement which was first introduced in this country just a decade ago. On the 25th of March, 1904—a red-letter day in the annals of Indian legislation—the Co-operative Credit Societies Bill was passed into law “to encourage thrift, self-help and co-operation among agriculturists, artisans and persons of limited means.” It is one of the greatest and most beneficent measures that have been taken by the Government of India for the betterment of the masses of our countrymen—and the area of its beneficent influence has been considerably widened by the recently passed Co-operative Societies Act of 1912.

The seeds of economic co-operation sown ten years ago on the Indian soil have put forth a bright young plant full of health and vitality : it is for our educated countrymen—no less than for the unemployed young men of our villages—to nourish it and to reap the fruits of co-operation in its various phases of credit, production, distribution etc. It is my earnest wish that they should root out the weeds of suspicion —where there are any—and pour all their energies at its root, only that in time this young plant may develop into a full-grown tree rooted firm and deep in the soil giving the shelter of its protection to the teeming millions of our poor debt-ridden villagers.

To help the organisers of co-operative societies of various kinds I have given in three appendices some of the model by-laws issued from, and kindly supplied to me by, the office of the Registrar of Co-operative Societies in Bengal. When this book was about to come out from the press, the Government of India issued on the 17th of June last a Resolution on the Growth of Co-operation in India which I considered to be so highly important that I could not help publishing it *in extenso* for the benefit of my educated countrymen.

Before I conclude, I desire to acknowledge gratefully the constant help and invaluable advice which have been ungrudgingly given me by Professor Satis Chandra Roy whose silent work at the University and whole-hearted zeal in the cause of the true "advancement of learning" have been an unfailing source of inspiration to me.

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Calcutta, July 1st 1914. }

P. MUKHERJI.

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INTRODUCTION.

THE writer of an introduction to a book which has, in a short period, run through one edition is certainly under a disadvantage. Such a book does not require any introduction, and if one is written, it is likely to be regarded as ornamental and useless. But as I have been associated with Prof. Mukherji in the editing of the *Bengal Co-operative Journal* for over a year I gladly complied with his request that I should write a few words of introduction when the second edition was ready to be published.

I can claim no special qualification for the task beyond the fact that I have been officially connected with the co-operative movement in Bengal for several years. Without unreasonable presumption I may state that I have gained sufficient experience to be in a position to judge whether any particular book on the co-operative movement in India is likely to be useful to the public. The writing of a book on any subject which aims at the same time at performing the functions of a text book for college students, a manual for practical workers and a source of general information for the public is undoubtedly a very difficult task ; but Prof. Mukherji has performed this task with signal success and I have not the slightest doubt that the book will receive a cordial reception from the public. The book contains an up-to-date and as comprehensive an account as possible of the Co-operative Movement in India. Not the least satisfactory feature of the book is the way in which the author has dealt with practical difficulties which a co-operator is likely to experience in his work. Prof. Mukherji has not contented himself by giving only the history and principles of co-operation as practised in India but he has included object-lessons from other lands and his description of the work done in other countries will

be a stimulating reading to the co-operators in India. The usefulness of the book has been considerably enhanced by an annotation of the Co-operative Societies Act 1912, I believe that this is the first attempt of its kind in India and I am sure that Prof. Mukherji's labour will be gratefully acknowledged by those who will have occasion to refer to the annotations.

The co-operative movement in India had been more or less associated with co-operative credit. The Act of 1904 permitted the formation of credit societies only but the scope of the present Act has been widened so as to include within its purview societies other than credit. Non-credit co-operation has not made much progress in this country nor did the leaders of the Co-operative movement, up till recently, pay any great attention to it. The reason is not far to seek. Credit is the simplest form of co-operation and it was necessary to familiarise the people with the principles of co-operation through the most simple form, when they had lost all ideas of associated action chiefly owing to the failure of early English legislators to understand the economic and social structure of the country resulting in the substituting of a regime of economic individualism for the old village community. It must also be recognised that in India with a population, poverty-stricken, overwhelmed in debts and usurious money-lending, the need for a cheaper credit through co-operation was paramount and the pioneers of the movement were therefore justified in making co-operative credit the foundation on which further co-operative efforts should be based. Now that the success of the credit societies has been amply demonstrated non-credit co-operation is bound to occupy a prominent place in the future co-operation in India and I therefore note with satisfaction that Prof. Mukherjee has given considerable attention to noticing fresh developments in various directions.

So far as the attitude of the public is concerned, every economic and social movement has to pass through several phases. The first phase is one of misgivings and mistrust; the second phase is one of enthusiasm, or one may say the hot period of youth when every one sees visions and dreams ; the third phase is one of impatient criticism ; and the fourth phase is one of recognition of accomplished facts. The co-operative movement has long ago passed through the first phase. It was born amidst misgivings and mistrust. Well-known leaders of the country pronounced it to be an exotic plant which is not likely to flourish in the peculiar soil of India. Responsible officials refused to associate themselves with a movement which, they were certain, would end in a fiasco. Many of us remember those days and many of us remember how hard the pioneers worked and how their enthusiasm, and above all, their firm faith in the movement, overcame all difficulties and have made it what it is now. Then comes a period when every one is ready to bless the movement and to acclaim its virtues without understanding it. The co-operative movement in India is now emerging from the second to the third phase. We see signs of impatient criticism which sees stagnation and retrogression everywhere, because extravagant hopes formed of it have not been realised, and because the millenium has not yet come. Critics have come forward who doubt the ability of the village people to run simple co-operative societies, who shriek and scream at small defects which are inseparable from human character, who think that the movement is running away and who doubt the capacity of leaders to solve the problems of higher organisation, be it of finance or of management. Uninformed and hasty criticism is as harmful to the movement as indiscriminate and misdirected eulogy. I hope the book will assist greatly in a proper understanding of the aims of the movement, what it has

accomplished and what its limitations are. And let us hope that it will not be long when the fourth phase is reached and when the achievements and aspirations of the movement will be regarded in a proper perspective.

Romain Rolland in his fascinating novel "John Christopher" speaks of co-operation as the two-edged axe "which strikes at the same time at the dead abstractions of the socialistic state and at the sterility of individualism,—that corrosion of energy, that dispersion of collective force in individual frailties." The Great War of which the end is not in sight yet has demonstrated the evil of unrestricted competition. Socialism is still an abstraction—the dream of theorists and the dread of practical politicians. Co-operation is therefore likely to play an important part in the future development of economic and social life of every country. A diffusion of the knowledge of the history, theory and practice of co-operation is therefore eminently desirable and any author who aims to achieve this object should be encouraged.

WRITERS' BUILDINGS,
12th January, 1917.

J. M. MITRA.

The Classification of Indian Co-operative Institutions as described in this Book.

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The Co-operative Movement in India.

CHAPTER I.

A BRIEF SURVEY OF THE ORIGIN AND DEVELOPMENT OF CO-OPERATION.

The Theory of Co-operation.—

Briefly speaking the theory of co-operation is that an isolated and powerless individual can, by association with others and by moral development and mutual support, obtain, in his own degree, the material advantages available to wealthy or powerful individuals and thereby develop himself to the fullest extent of his natural abilities. Co-operation in this sense, therefore, implies a co-operative *society* in which the associated members join together for the promotion of their common economic interests and for lifting themselves up out of weakness into strength. A Co-operative Society is thus “an association for the purposes of joint trading ‘originating among the weak and conducted always in an unselfish spirit, on such terms that all who are prepared to assume the duties of membership may share in its rewards in proportion to the degree in which they make use of their association’” (*Fay*).

The principle of co-operation finds its expression in two distinct methods of association, one of which underlies the system of credit co-operation, while the other is the foundation of various forms of non-credit co-operation, such as co-operative purchase, sale, production, insurance, etc. In the former, *i.e.*, in a credit co-operative society several persons combine to furnish a collective guarantee by which they are

enabled to secure money at lower rates of interest than they could obtain individually. A credit co-operative society is thus an association or combination of persons who jointly pledge their credit in order to raise sufficient funds for the purpose of lending out among themselves on cheaper terms than each could obtain by pledging his individual credit. In the latter, *i.e.*, in non-credit co-operative societies a similar combination is made in order to effect economies in the preparation or disposal of produce and to get the necessities of life at cheap wholesale rates. Before describing the origin and development of co-operation in India, we would attempt to give here a brief survey of the growth of the co-operative movement in some of the chief countries of the world.

Co-operative credit, as an organized system, had its origin in Germany about the middle of the last century. Its beginnings were of the humblest description. Two men—Raiffeisen and Schulze—started independently about the same time to work out a system of credit on co-operative lines, the former, in the main, for poor peasants, the latter for artisans and small tradesmen. Let us now proceed to make a short study of the two systems.

The Raiffeisen banks in Germany.—

Raiffeisen (1818-1888) with whose name rural co-operative banks have become associated, began his co-operative career in the winter of 1847-8 with the foundation of a benevolent society in a small village for obtaining corn and potatoes and selling them at low prices to the poorer inhabitants. This society was one of many of the same type founded in Germany about this time, when very serious distress prevailed. Two years later, he founded, in another village, a society which at first bought cattle and sold them to poorer landlords, but which later lent money on surety directly to the latter for this purpose. Upon his transference as burgomaster to

Heddesdorf, near Neuwied on the Rhine, he founded a third benevolent society with various objects, but specially for the procuring of cattle for, and the granting of credit to, poorer farmers. This society which gradually became merely a loan society, was composed of well-to-do inhabitants living in or near the village of Heddesdorf, who lent to less fortunate inhabitants of the area obtaining capital on the security of their collective unlimited liability. The assisted persons had nothing to do with the society, whose members acted as guaranteeing intermediaries between the capitalist and themselves. The first association founded by Raiffeisen in which the fundamental co-operative idea of the collective liability of the borrowers themselves appears, was that of Aahausen (1862). There were already in existence co-operative societies with unlimited collective liability which had been created by Schulze of Delitzsch, a small town in the Province of Saxony, for the purpose of procuring credit for their members, who were mainly artisans, small employers of labour, and petty shopkeepers. But Raiffeisen had in view the needs of agriculturists with whom we are more intimately concerned.

The essential features of the Raiffeisen rural bank.—

Before describing the essential features of the Raiffeisen system we should have a full grasp of the meaning of *personal credit* which lies at the basis of the Raiffeisen system. To understand the full connotation of the phrase, let us first of all understand what we mean by "credit." "Credit" may be briefly defined as a man's power of borrowing. Credit in the form of a loan always requires some form of security, expressed or implied, given by the borrower to the lender, that the money borrowed will be duly repaid. This security may take various forms, and credit is generally classified according to the form which the security takes. It is *real or mortgage credit* if the security is land, houses or

other immovable property ; it is *chattel* credit when the security consists of jewels, furniture or other movable property ; it is *personal* credit when the security does not take the form of any tangible property, movable or immovable, but is based on the status, position, means or character of the person seeking credit.

Character, to form the basis of credit must consist of honesty, diligence and frugality—the most important elements affording ample means for its being capitalised. But how can this be so capitalised ? For we know as a matter of fact that persons having a pledgeable character are seldom in a position to negotiate it in the open market. The reason is that character can have a value only to the person knowing its worth. What value can the character of a person living in a far-off village have to a banker in a town ? Even men of ordinary status, though living in the same town, could scarcely be expected to be known to an average banker. Even if he knew, would he consider it worth while to enter into petty transactions with them ? The character of such small folks, therefore, easily lends itself to be exploited by neighbouring money-lenders, to the great disadvantage of the borrower and not always to the advantage of the lender. It is to enable this class of small borrowers that Raiffeisen devised his system of co-operative credit—basing it entirely on the combined personal credits of the borrowers. We now proceed to deal with the essential features of the Raiffeisen system.

These features are—

I. *Organization on the strictly co-operative principle*, none but members having the right to borrow, although non-members may make deposits.

II. *Limitation of the operation of the society to a very small area*. The area of operation of a rural credit society is strictly limited. As a rule, one large village or two or three

small villages lying closely together are fixed as the area within which all members must reside. Raiffeisen considered that areas with a minimum population of 400 and a maximum population of 2000 should be chosen.

This limitation of area constitutes one of the essential principles of co-operative rural credit societies. By this means a certain security is guaranteed. The members are intimately acquainted with one another ; they know the means and capacity of each other ; they know that such a one is industrious and farms well, that another is intemperate or a bad farmer whose circumstances are gradually becoming worse. When loans are proposed, the management can thus gauge correctly not only the capacity for credit of the intending borrowers, but also how far they are deserving of them. Capable and hardworking members with little capital may be in this way helped without risk. Loans are most usually made on bonds backed by sureties. The latter being naturally for the most part relatives or friends of the borrower living in the same village, the society can readily judge their financial soundness. The supervision of the use to which the loan is put is also facilitated, while the general management of the society can be observed by the members. These are some of the advantages of limiting the area of operation of rural societies. Besides loans for long periods, arrangements for easy repayments and other conveniences of essential importance to farmers that the rural society provides, cannot be provided by banks covering wide areas. The meetings of the committee of management and of the board of supervision are likely to be less well attended when distances have to be traversed to reach the meeting place. Representation on these bodies is also facilitated : complaints may well arise, when the area is large, that certain villages are not fairly represented on the committee or on the board of supervision. Another important advantage of a restricted

area is that savings deposits, which constitute the bulk of the working capital of these societies, are more conveniently lodged by the members.

III. *Unlimited liability of the members for all the debts of the society.*

The financial liability of credit societies is the collective liability of their members ; and it is open to them, as to all co-operative societies, to choose one of three forms : *unlimited, unlimited contributory, or limited liability.* Unlimited liability has been adopted by over 92 per cent of rural credit societies in Germany. In a society with *unlimited liability*, the members, over and above the liability to pay in full the nominal value of the obligatory single share—for only one share may be taken by each member—undertake liability for the engagements of the society to its creditors directly, *to the extent of the whole of their property* ; and this liability is individual and collective. In the event of bankruptcy any deficit is recoverable by a *per capita* levy upon the members. Proceedings by creditors against individual members for the enforcement of claims against the society are, under the German Co-operative Societies Act, only permissible when, after the lapse of three months from the date on which the contributory levy upon members is declared executable, such claims have not been satisfied. In the ordinary course this period would suffice for the society to make arrangements with its creditors. But should judgment be obtained by a creditor of the society against any member, the latter retains his right to sue the society for restitution of the amount he has been compelled to pay. He becomes a creditor of the society, and if ultimately his claims are not duly met by the society he may proceed against any other solvent member or members.

Another form of unlimited liability, which was introduced by the German Act of 1889 is entitled *Unlimited*

Contributory Liability. The position of societies adopting this form differs in no way from those possessing ordinary unlimited liability except in case of bankruptcy. In that event the property of individual members of a society with ordinary unlimited liability, as has been shown above, may, after three months, be individually claimed by unsatisfied creditors, whereas, when unlimited contributory liability has been adopted, *per capita* contributions may be levied, but *no direct proceedings against single members may be taken by creditors.*

In a society with *limited liability* a member undertakes, over and above liability for the payment in full of the nominal value of the share or shares held by him, *a liability for the payment of a fixed sum on each share held.* The amount of this fixed sum, constituting the liability attaching to each share, as well as the maximum number of shares that may be held by a single member, must be determined by the general meeting of members upon the establishment of the society, and must be stated in the registered articles of association.

Raiffeisen and Schulze Delitzsch were both convinced advocates of unlimited liability. From the beginning up to the present time all credit societies affiliated to the Federation founded by Raiffeisen have been constituted upon this basis. The Schulze Delitzsch Federation has not entirely abandoned the same principle. Its present leaders hold that the question of the superiority of unlimited over limited liability may not be determined absolutely; that it depends upon conditions prevailing in particular places, but that in the first instance, until a society has reached a certain degree of development, unlimited liability is in general to be preferred.

It may be asked in this connection - Do not the members of a rural credit society run a risk of incurring great loss by reason of their unlimited liability? While for members of

large urban societies unlimited liability may present certain dangers, there is, in fact, little risk of members incurring great loss by reason of unlimited liability in a rural credit society. The reasons are not far to seek. The area of a rural credit society is limited to at most a few villages ; the members are acquainted with the general character and circumstances of their fellow-members ; the collective knowledge possessed by the committee of management and the board of supervision and their collective surveillance are not likely to prove at fault. There is no incentive to undertake speculative or risky business—speculative business is, in fact, expressly forbidden by the rules of the majority of societies—with a view to large profits, dividends being either not paid at all or being, at the most, quite small, and working expenses inconsiderable. The committee and the board are, in the first instance, legally responsible to the society to the full extent of their property when losses occur as the result of their not exercising the “prudence of ordinary business men” in the affairs of the society ; and, finally, there is the further safeguard of the audit which must be carried out at least once within every two years.

Indeed it is not too much to say that it is this principle of unlimited liability which has given birth to all the moral and educative effects of co-operative credit. Since the liability is unlimited, it is the interest of the committee to admit, as members, men whose character is beyond reproach : instances are not wanting to show how habitual drunkards have become sober gentlemen, spendthrifts have become thrifty and gamblers have given up their habits—only to be eligible for membership in the rural society. Again, it is because of this principle of unlimited liability that the committee insists upon its members the curtailment of unnecessary social extravagances and the employment of all loans in productive works.

IV. The working capital of the bank is obtained chiefly from the following sources :—

- (a) Small savings “drawn, either from within the area covered by the bank, in which case it comes both from members and non-members, the former being rewarded where possible at slightly higher rates in order to encourage membership ; or from without the area, in which case, it, of necessity, comes from non-members.”
- (b) Loans from central or provincial banks or from other banks or from private individuals.
- (c) A purely nominal share capital which the banks did not originally have and which they have been forced against their will to issue. The requirement is now usually met by the issue of a few low-priced shares of which no member can hold more than one and upon which no dividend is paid.
- (d) Two surplus funds called reserve funds ; one used exclusively to cover losses and the other being the principal reserve fund, commonly used for “positive improvements, such as the extension of the premises or the establishment of a burial fund.” In this fund must be placed two-thirds of the annual profits. The fund cannot be distributed among the members, even though the banks be dissolved. In such a case it is held in trust for a time for a new bank, should one be established, and if no such bank is established it must be used for some work of public utility. This is a very salutary provision : it lends to the stability of the bank.

V. A fifth feature of the Raiffeisen system is that the bank's administrative organization is simple and democratic.

Final authority in local questions rests in the general meeting in which every member has one vote. There is elected annually a committee of management consisting usually of five or six directors who meet weekly. As a check upon this executive committee there is also elected annually a council of supervision consisting of from six to nine members. A biennial audit is made of the accounts of each bank by an accountant employed by the district or central union. The books of the bank, except the individual deposit ledger, are open to the inspection of all members. Officers of the local banks serve without compensation, except the treasurer who has no vote in the making of loans. The typical Raiffeisen bank is described by Fay as "a single room probably at the back of a farm building, opened twice a week and presided over by a single occupant," the treasurer.

VI. Advances take two forms: the ordinary loan (of which the name is sufficiently descriptive), and the current account which latter constitutes about a third of the total and shows a tendency to increase in proportion to the ordinary loans. The period of the ordinary loan varies from six months to three years; and in exceptional cases it may be even longer. Loans are repayable in instalments covering interest and part of the principal, or in lump sums. Banks reserve the right to call back a loan on four weeks' notice.

The Raiffeisen banks in Germany are organised into provincial banks at their head, and these in turn into a national federation with a central bank at its head. These provincial banks and the central bank "equalise the need of credit of the individual banks, supplying them with money when required and employing their surplus funds." A large proportion of the German co-operative banks and other co-operative agricultural societies are federated in a single national organization—the National Federation of Darmstadt. Such, in brief, are the leading features of the Raiffeisen.

system of co-operation—the greatest agricultural credit system of the world.

Briefly speaking, the principles of the Raiffeisen system may be summarised as follows :—

- (1) The unlimited liability of all members for all indebtedness of their particular society.
- (2) Limitation of membership to one community or village, to secure mutual personal knowledge of the standing of the members.
- (3) Loans only for productive purposes.
- (4) Loans only to members.
- (5) Short-term credit on personal guarantee.
- (6) Credit for long periods with facilities for repayment by instalments.
- (7) Absence of profit-seeking : dividends, if paid, being limited.
- (8) All profit is carried to a permanent indivisible reserve fund, which belongs to the society as a whole. This fund can never be divided among the members, not even if the society should be disbanded. If that take place, the reserve fund is devoted to some public or charitable purpose.
- (9) Office-holders, except the secretary, not paid for their services.
- (10) Promotion of moral as well as material advancement of members.

The aim of Raiffeisen societies how far realized.—

The aim of the Raiffeisen credit societies is to improve both the material and moral condition of their members. It is not without interest to enquire how far these societies do, in fact, endeavour to promote the general social, intellectual and moral welfare of their members apart from that economic welfare which is their primary aim. A large proportion of

the Raiffeisen societies in Germany insert in their articles of association clauses to the effect that subventions from the profits of the society shall be accorded for the amelioration of their members in these respects. The German Raiffeisen Federation instituted in 1908 an enquiry into these activities of its affiliated societies, and the reports received show the ways in which measures towards such ends, either initiated or supported by the societies, had materialised. The returns showed,

1. For raising the level of popular education.

458 libraries.

237 continuation schools.

96 "Raiffeisen" evening clubs.

23 juvenile clubs.

24 village institutes (meeting halls etc.).

2. For the benefit of children.

108 infant schools.

181 children's savings banks.

3. For the sick.

357 village nurses.

20 ambulance corps and Samaritan funds.

32 sets of surgical appliances.

4. For the general benefit of members :—

329 death benefit funds.

103 cattle insurance societies.

109 accident funds.

13 sick funds.

5. For various objects of public utility :—

130 fire brigades.

49 telephone services.

20 veterinary pharmacies.

70 hearses.

53 cases where protection or help (veterinary and other) in the event of disease, etc., was afforded.

6. Appliances for use in cultivation :—

3870 machines, implements and other agricultural equipment.

The results achieved in Germany.—

To give some idea of the proportions which the co-operative movement has assumed in the country in which it originated, it may be mentioned that on January 1, 1910 there were in Germany 14,993 Raiffeisen Banks with a total membership of 1,447,766 persons. In the valley of the Rhine where the Raiffeisen banks have been longest at work, a transformation has been effected which Mr. H. W. Wolff describes most strikingly in his fascinating work.—“People’s Banks.” Cultivation has been improved, industry and trade have been developed, the small cultivators are able to purchase their implements at the cheaper wholesale prices, the usurers have been driven from the field, and the peasants have become small capitalists themselves. They prefer to deposit in the society bank rather than even in a Post Office Savings Bank because the former is their own, in the management of which they have a say, and which keeps the money saved in the district to return to them “in the fertilizing dew of loans.” Under the bank’s teaching the members have become patterns of promptness and punctuality in their payment, because the banks will tolerate anything but unpunctuality. “It is a treat,” says Mr. Wolff, “to see the simple peasants bring out their books and explain to you, with evident satisfaction and pride, what all the entries mean and how the system works from an accountant’s point of view.”

The Schulze Delitzsch system : Urban Banks in Germany.—

While Raiffeisen adapted co-operation to the needs and to the mental attitude of the farmers, Schulze-Delitzsch devised organizations specially suited to the needs and eco-

nomic character of town-dwellers. The Schulze-Delitzsch banks have, therefore, unlike the Raiffeisen banks, a large range of business in an extended area of operations ; they include members of various occupations ; they accumulate a considerable quantity of capital and they distribute fairly high dividends. They do not follow, the principle of unpaid management ; on the contrary, their management is rather costly and is conducted on strict business lines. They are based, more often than the rural banks, on limited liability and they carry on a series of banking operations which the rural banks only undertake exceptionally, if at all. In fact their business approaches more closely than that of the Raiffeisen banks to banking business, properly so-called. There were in 1911, 952 such banks in Germany.

Differences between the Raiffeisen and Schulze-Delitzsch systems.—

Compared with the ordinary urban credit societies of the Schulze-Delitzsch type, which were originally organized for the special purpose of furnishing credit to small traders, employers and artisans in towns, many important differences appear in Raiffeisen societies. The areas of the Schulze-Delitzsch banks are not narrowly limited ; shares are highly priced, being rarely less than £15, and sometimes reaching £75 and £100 ; there is no indivisible reserve ; loans are usually made only for terms of three months, when they are subject to renewal and are repayable in a lump sum ; dividends, sometimes very high dividends, are paid ; regular banking offices are maintained with at least two permanent paid officials, who 'form' the committee of management, while the members of the board of supervision receive remuneration ; the banks confine themselves to pure banking business ; and their offices are usually in towns.

Finally, while Schulze-Delitzsch considered thrift and saving the chief factors in credit, Raiffeisen aimed chiefly at

arousing an unselfish public spirit ; by forbidding dividends he avoided any clashing between the interests of borrowing and of non-borrowing members. His difficulties were much greater than those of Schulze-Delitzsch, for he had to solve the problem of advancing small loans for long terms to borrowers who, though they possessed some property, obtained their profits "in small instalments, after considerable delays, and with a certain amount of precariousness and uncertainty."

From the above it would appear that the Schulze-Delitzsch bank or the limited liability co-operative society—or a share bank, as it is called, is formed on the principle of a joint stock bank. Like the joint-stock bank, it raises its initial capital by means of shares and offers the share-capital as security to those who deal with it. Each member of such society is required to take up and pay for at least one share of a fixed value. The liability of the members is limited to the value of the shares* ; and if the bank suffers any loss it will fall on the share-capital. It, therefore, affords a guarantee to the public and intending depositors that the bank will be managed in such a way that no loss will be incurred ; otherwise the members will be the first to suffer.

Difference between a co-operative bank and a joint-stock bank.—

It may be asked, what is the difference between a joint-stock bank and a co-operative bank ? Although similar in constitution, they are radically different forms of association.

* The liability of the members may be limited to the value of shares or to a certain multiple of that value. In the latter case, each share carries an extra liability, and every member is liable not only for the full value of shares, but for an additional amount proportionate to such shares as laid down in the bye laws. Some societies prefer to have an extra liability, in order to strengthen their financial position in the money market and to obtain greater credit. Extra liability also ensures greater stability and very careful management by the shareholders.

A joint-stock bank is an association of persons who combine their funds in order to obtain the largest possible profit from them, while a co-operative bank is an association of persons who join together not merely to earn profits, but to benefit each other. The latter is, therefore, not allowed to lend to any one except its members, by whom it is managed. In a joint-stock bank, which is run for the sake of private gain, the interests of lenders and borrowers are in a manner opposed, while in a co-operative bank, there is no such conflict, because the borrowers are members and members only, and the interests of the bank are bound up with those of its members, *i.e.*, of its borrowers. To use a common expression, "a joint-stock company is a union of capitals, while a co-operative society is a union of persons." Another important distinction is that in a co-operative bank members are all personally selected for admission, and a person must first be elected as a member before he is allowed to hold a share ; in other words, membership gives a right to, and requires the holding of a share, while in joint-stock bank a man becomes a member by virtue of his holding a share.

Progress of Co-operation in Russia.—

The success of the co-operative movement in Germany led other European nations to develop forms of co-operation in their respective countries. Russia now takes the first place with regard to the number of societies surpassing even Germany in this respect. Of the total of 37,000 co-operative societies in Russia 15000 are credit societies, 11,000 distributive societies, 10,000 agricultural associations, and 1,000 productive societies. The total membership of all kinds is about 13,000,000 and the total capital £100,000,000. This phenomenal growth of the movement in Russia is due not only to the great activity of the population, but also to the material assistance rendered by the Government.

Co-operation in Austria, France and Italy.—

Austria boasts of 12000 such societies, while France has got more than 4000 of them. In Italy a somewhat new type of co-operative credit was evolved by Luigi Luzzatti who, though influenced largely by Raiffeisen and Schulze-Delitzsch, knew that the circumstances under which he could establish this credit in his country were somewhat different. So, after careful selection and adaptation to environment, he has evolved in Italy a new type of co-operative credit of which he is the immediate parent. The essential features of the Luzzatti popular banks are that only honest and reliable men are taken in as members who take shares of small value payable by monthly instalments and whose liability is limited to the extent of their shares. The members render their services to the bank gratuitously, but three office-bearers—the president, the accountant and the cashier—are paid, because their work is heavy and continuous. It may, perhaps, be urged that these peoples' banks of Luzzatti are not entirely co-operative in their principles, the liability of their members being limited ; but in as much as they embody the principles of self-sacrifice by gratuitous services and allow credit to the poorest people by the system of "loans of honor", they serve most of the functions of co-operative credit societies, and are classed along with Raiffeisen societies.

The comparatively slow progress of co-operation in agriculture in England.—

In England co-operation in trade has attained large dimensions, and a high state of organization ; but in agriculture, the co-operative movement, in spite of the efforts of enthusiasts, has made comparatively little progress. The reason for this seems to be that so long as the big farmer can get along by himself fairly comfortably and can obtain the credit he requires at the bank, he will not easily

be induced to co-operate with his neighbours, especially if the latter are small farmers, on a lower step of the social ladder than himself. In pursuing this course, however, he makes a grave mistake ; for by co-operation even the largest farmer can gain advantages not otherwise easily obtainable ; while the wealth and influence which he possesses would be of great service to any co-operative organization which he might join.

Various plans have been discussed for the creation of larger numbers of small cultivators in the United Kingdom, through the purchase of land by large industrial co-operative societies, to be let or sold by them to small societies or farmers, through the passing of Land-Purchasing Acts, the Small Holdings and Allotments Act of 1907, etc.

Sometime ago a Committee was appointed by the Board of Agriculture in England to consider what steps should be taken by the State to deal with the question of the unemployment of men after the war. This Committee, presided over by Sir H. Verney, has proposed the following scheme :—“An extensive State acquisition of land by compulsory purchases, the establishment on a large scale of colonies of small holders, ‘the development of co-operative buying and marketing, and of agricultural credit banks, and the provision of a large state grant to put the proposals into operation.’” The Committee elsewhere says :—“Co-operative working of the land, co-operative buying and selling, co-operative transit, agricultural banking, are all and each so dependent on the proximity of small holders to one another that the adoption of the colony system in any large scheme of land-settlement is inevitable.” This scheme is indeed a very fascinating one and its practical adoption will bring us very near the co-operative millenium.

The Irish Co-operative Movement.—

In Ireland the co-operative movement has been a potent factor in developing her material interests. Ireland largely

owes this development to the work of the Irish Agricultural Organisation Society inaugurated in 1894 by the Rt. Hon. Sir Horace Plunkett—the pioneer of the Irish co-operative movement—Mr. Vansittart Neale and others of the English Co-operative Union. The Society had to carry on its work amidst great and varied difficulties, but gradually it has established itself as a great agency for the material advancement of the Irish people. The work done by the I. A. O. S. since 1894 has been truly marvellous : their success in co-operative butter-making has been most marked. There are now over 400 co-operative creameries in the country, the total out-turn of which in 1912 came to the sum of £2,464,228, showing an increase of £407,561 on the previous year. These figures are sufficient proof of the soundness of what were considered to be Sir Horace Plunkett's wild dreams in 1889.

Another feature of the Irish co-operative movement has been the improvement in methods of marketing eggs. The local societies collect them, test them, grade them, pack carefully and sell through the Irish Agricultural Wholesale Society which is a federation of local societies. The importance of developing this trade can be realised from the fact that the annual value of imports of eggs from Ireland into Great Britain exceeds £3,000,000. The I. A. O. S. have devoted their attention with considerable success to co-operative manufacture of bacon, honey and even tobacco, co-operative curing of fish, and hope to develop considerably the trade in fruit, vegetables and flowers.

Co-operation in Japan.

Japan also has not lagged behind. In some respects Japan may be said to be the originator of the system of co-operative credit. For, the first beginnings of co-operation in Japan may be traced to a society (called the "Hotokusha" or Gratitude Society) started in Tokyo in 1842 by the great Japanese

philanthropist Ninomiya Sontoku (1791-1857). The objects which the *Hotokushas* set before themselves were—the improvement of the conditions of public morality, the increased agricultural or industrial production of their members, the extension and improvement of agriculture and industry, the encouragement of all works of public utility and the relief of the poorer members.

The object of the *Hotokushas* was thus to promote the economic and moral improvement of its members, thus emphasizing the essential interdependence of the economic and moral aims, a combination that has always been insisted upon by all the leaders of the co-operative movement.

The Japanese co-operative movement, although in its origin a spontaneous growth, yet owes much to foreign example as well as to State encouragement. Viscount Shina-gawa who was Japanese Minister in Berlin in 1884, was greatly impressed by the help given to the German peasantry by their co-operative societies. On his return to Japan he became in 1890 Minister of the Interior and at once began an active co-operative propaganda conducted by State agencies. The result is that there were in 1913 in all 10,455 co-operative societies of all kinds of which 2767 were credit societies only.

This rapid growth of the co-operative movement in Japan is largely the result of the very active and direct part which Government has taken in encouraging it. But this very fact exposes the movement to the danger of being over-officialised.

CHAPTER II.

RECENT DEVELOPMENTS OF CO-OPERATION IN THE WEST.

In this chapter we shall describe some recent developments of co-operative enterprise in Europe in the hope that they may be adapted to the needs of India and established here in suitable centres.

- I. A novel form of Rural Distributive Co-operation.
- II. Co-operative Dairies in Denmark.
- III. Co-operative Cattle-rearing Societies in Switzerland.
- IV. Co-operative Farm Implements Societies.
- V. The Oxford University Co-operative Society.
- VI. The Rochdale Pioneer's Society.
- VII. Co-operative Electricity Societies.
- VIII. The Co-operative Hospital in Spain.

I. A novel form of Rural Distributive Co-operation.—

In the village of Stapleford (Hertfordshire) the local agricultural co-operative society has made an interesting experiment in the co-operative purchase, on simple lines, of domestic requirements (food-stuffs and coal).

The village contains no shop, and local requirements were catered for by tradesmen in the neighbourhood. The members of the society realised that they did not possess the requisite experience for running a co-operative store, nor were they prepared to accept the responsibility of doing so. It was decided, therefore, to approach some of the tradesmen who already did business in the village and to ask them whether, if orders for bread and groceries were bulked, and payments made weekly by the society, special terms would be offered.

As a result of these negotiations certain tradesmen agreed to quote special terms and business was begun.

The methods of conducting the business are as follows :—

"The trade is divided into four headings, *viz.*, Groceries, Bread, Corn (feeding stuffs) and Coal. Every six months tenders are invited by advertisement in the local papers for supplies under these headings. In the case of groceries the firm tendering is supplied with a list of principal articles of consumption in order that prices may be quoted for each. Tenders are invited on the basis of cash prices with a discount to the society in consideration of bulked orders and weekly payments ; delivery by the contractor to the houses of the individual members is included."

On the contracts running about a year ago (October 1915) the society was receiving the following discount : groceries, $6\frac{1}{4}$ per cent. ; bread, 10 per cent. ; corn, $2\frac{1}{4}$ per cent. ; coal, 1s. per ton.

Each purchasing member, except in the case of their purchase of coal is supplied with ordinary tradesmen's books, one for each of the different classes of goods. The Secretary and Committee of the Society meet every Friday to receive orders for the coming week and payments for the past week's goods. Each member brings his (or her) tradesmen's books, which contains particulars of the order placed the previous week with the cost of the articles entered in by the tradesmen and totalled ; the total is the amount which is paid to the Secretary. In the book is also entered the order for the coming week. The grocery book is retained by the Secretary and forwarded to the tradesmen, the bread and corn books being retained by the members. On the day previous to the Committee Meeting the Secretary receives from the various tradesmen their weekly bills showing the amounts due. This enables the Secretary to prepare a statement showing the amounts due from each member under the different headings

ready totalled to save time when collecting, and this also acts as a check on the members' books. To enable members to check their own books they are supplied with a list showing the prices at which the tradesmen have contracted to supply the various articles.

The money thus collected on the Friday night is paid by the Secretary to the tradesmen the following day* and the balance representing discount is banked in the Post Office Savings Bank.

Every half-year a distribution of discounts takes place. The Committee deduct a small percentage to cover expenses and allow for a reserve fund and the balance is distributed in proportion to the purchase of each member of each class of goods.

Delivery of goods is undertaken by the contracting tradesmen. Bread is delivered four times a week, groceries once a week, and coal once a fortnight.

If a member prefers to select the goods at the shop, the tradesmen's book is handed back to him after the weekly payment instead of being retained by the Secretary.

The Society started in January, 1913, with a membership of 34 which by October, 1915, had increased to 55. Of this number 48 are purchasing members, and the weekly takings average £20. Almost every house in Stapleford is represented in the membership and eleven members have joined from the neighbouring village of Watton.

II. Co-operative Dairies in Denmark.*—

Most of the Co-operative Dairies in Denmark were founded between 1886 and 1890. In 1909, 1157 Co-operative Dairies were at work in Denmark, and they treated about 77% of the total milk production of the country.

* [Being extracts from an article in the Monthly Bulletin of Economic and Social Intelligence (Rome), November, 1915.]

The number of cows at the disposal of the societies varies from 200 to 2,000, but most usually from 800 to 1,200. According to the industrial census of 1906 the average quantity of whole milk received by a society was 2,100,000 kg. for an average number of about 880 cows. In recent years, large co-operative societies have often been sub-divided to form smaller societies, though the latter have comparatively high working expenses, and can only with difficulty equip themselves in modern style. They are often obliged, for example, to employ ice safes instead of refrigerators. In an economic sense there is no justification for this subdivision, but the farmers want to have their milk returned to them as soon as possible, which is a quite legitimate desire, above all in the case of those who live at the greatest distances, who are subjected to the double inconvenience of having to deliver their milk earliest, and have it returned latest. At times a certain local patriotism manifests itself, and when business is good, the surplus expense is readily met. These sub-divisions, however, have not been in proportion to the increase of the milk received by the societies, which is due to the increase in the number of cows and the increased production per cow.

A co-operative dairy is generally founded for a definite period of time, varying from 10 to 15 years. During this period, the farmers engage to supply all the milk they produce, except what is consumed on their farms or sold retail to their neighbours. They recognise themselves also as jointly and severally liable for the engagements of the society, on the principle, "all for each and each for all," in proportion to the number of cows they each possess.

On this basis, the funds required are generally raised by means of a loan from a bank or savings bank, so that the members need pay no contribution. Interest and sinking fund are paid out of the profits of the business.

The initial capital is generally from about 30 to 40 crs. per cow.

The members can only be relieved of their joint and several liability before the expiration of the term fixed for dissolution of the society, in case of death or the sale of their holdings, or by vote of the General Meeting. At the end of the period fixed, a new society may be formed for a new period, to include all the old members or only such as desire it. For the purchase of the dairy from the former members, a new loan is contracted, the amount being distributed among the producers in proportion to the quantity of milk supplied by each, in the whole period of working. The period for which the members engage varies generally between 10 and 15 years. In recent times, however, there has been observable a strong disposition to reduce this period to 5 years.

The supreme authority in the business of the society is the General Meeting, which is, as a rule, only called once in six months. The rules often provide that the decisions of the General Meeting cannot be impugned in a Court of law, a provision which has the force of law. The members have almost always the same voting rights, irrespective of the number of cows they possess. For this reason, the large landholders long hesitated before entering the co-operative societies; but now they feel no difficulty about entering, and independent dairies on gentlemen's estates are becoming, as we have said, rarer and rarer.

The Board of Management of the Society deals with the daily business, the book-keeping, the cash, the administrative supervision, etc.; it is generally appointed for two years, and is often rather numerous, for it is usual for each member of the Board to make the monthly payments to the members of his district; so it is natural that each clearly defined geographical district should desire to have a representative

on the Board. The Board appoints the Technical Manager who is entrusted with the direction of the daily work of the dairy, and the keeping of the accounts. Formerly, all the rest of the staff were also, as a rule, appointed by the Board ; but this was found inadvisable. The technical manager now receives a fixed amount with which he must provide himself with the assistance he requires. This system has proved the best possible.

The dairy undertakes the collection of the milk and its return to the producers. In this way the producers who live further away do not pay more for the carriage of the milk than those near at hand. This procedure contributes greatly to the maintenance of good relations between the various members, and is assuredly also a reasonable system, for the situation of the dairy is often accidentally determined, and any sub-division of the society would in any case be contrary to the interest of those who live nearest.

As a rule, the dairy only supplies and keeps in good order vehicles suited for the transport of milk ; tenders are invited for the contract for transport itself, for periods of one year or six months. In this way, the dairy has not to keep horses.

The vehicles generally make one journey a day, and only in certain localities two, keeping to a fixed itinerary, and the producers are bound to bring their milk early to the road, so that they may go on again without delay. Producers who do not live on the road followed by the vehicle generally receive a certain sum in compensation for every 1,000 kg. of milk they supply. However, the route is so arranged as to serve the large producers directly. The vehicles must reach the dairy in a fixed order, at hours established, so that the milk may be weighed and separated as rapidly as possible, without interruption and useless delay, and each, as the work proceeds, must be ready to start again to return the separated

milk and whey to the producers. When the profits are divided, it is a fundamental rule that the division shall be in proportion to the amount of milk supplied. At first this division was made after a very imperfect fashion, and in some places this continued for a long time ; it was based only on weight and not on the amount of butter fat in the milk. This was a matter of specially great importance, above all, for the numerous small producers owning few cows, in whose case the amount of butter fat in their milk might vary within very wide limits.

This was one of the first problems science had to deal with, and it was promptly solved, by the construction of an apparatus which allowed of the amount of cream in a large number of samples of milk being determined by means of a single observation. Most of the dairies then began to calculate the value of the whole milk supplied in accordance with the amount of cream or butter, on the basis of the current price of butter. This method, very good and reasonable in itself, which possesses the advantage of preventing any adulteration, has also a great merit which will only be greater in the future, as it draws attention to the advisability of only rearing cows which give rich milk, and of exercising quite special care in the selection of good bulls. This method has also inspired the constitution of "Control" Societies, which, in their turn, have favoured the change to the new system of distribution of profits. The latter system is in use in almost all the co-operative dairies, whilst most of the old dairies worked in common have remained faithful to the old system.

The calculation of the value of the milk is based on the regular control of the milk of the various producers, generally tested twice a week ; however, the distribution is effected, according to various methods, more or less accurate and complete. The simplest process, which has fairly recently

been introduced and has become widespread on account of its simplicity, is to multiply the weight in pounds of the milk by the percentage of cream ascertained, and distribute the price of the butter in direct proportion to the number of what it has been agreed to call "cream units" thus arrived at.

In this way, it is only necessary to divide the amount the whole milk has yielded in butter produced and milk sold ; payment is made once a month. As regards the separated milk and whey the dairy does not sell, and does not use for cheese-making, but the producers are bound to take back, the value is ascertained quite differently. The milk is returned in proportion (up to a certain point) to the whole milk supplied, at a given price, which is very low, and which, while in some degree corresponding with its value as food for cattle, does not take special account of that, and is calculated so as amply to cover the working expenses of the dairy. Generally, the price is calculated so as to leave a large margin of profit. This is distributed annually or half yearly according to the same rules as govern the sale of the butter.

The separated milk and whey are paid for by means of deductions from the monthly contributions. Deductions are also made for butter and cheese bought by the producers at the dairy, as well as for expenses the dairy has been put to for the account of the producers as, for example, the tinning of the cans used for carrying the milk. In dairies which also engage in the co-operative sale of cattle foods, a practice which may be regarded as generally diffused, there is a further provision that the department for co-operative sale of cattle foods may, if the producers of the society are debtors up to a certain amount for the purchase of cattle foods, keep back the whole or part of the price of the milk or the surplus profit.

The rules of the dairy provide that its members shall only supply pure and natural milk and never supply milk from sick cows or from those that have too lately calved. Often also the employment of certain kinds of cattle foods, known to have a deleterious effect on the quality of the milk, is forbidden. In several districts the milk supplied by each farmer is analysed at regular dates, for example, once a week or once a fortnight. The "societies for the estimation of the value of the milk" have shown great activity in extending this system. One or more local or itinerant experts are charged to give their estimate. The result is expressed, by means of a series of points, in certificates of three different classes. This result is communicated to the producers in the monthly statement of their accounts. This urges them to correct possible defects in their production, and to furnish milk of the best possible quality; and the effect obtained is the more certain as it is almost impossible to prevent the result of the judgment becoming known to the neighbours. It has been found that, where this system has been adopted, the quality of the milk has considerably improved, and this improvement disappears at once when the system is abandoned.

This system has still difficulties to overcome; it is not easy, for example, to prevent the judgment passed on the milk, more or less formally, from having the appearance of personal criticism and giving rise to ill feeling which in several localities has led to disagreeable consequences. It is easy for the technical manager of the dairy, in weighing the milk of the various producers to discover the grosser defects, such as an insufficient supply of cans, sometimes rusty cans, dirty or malodorous milk, etc. His task has recently been considerably facilitated by the fact, that the milk is now poured into special receptacles in order to be weighed, whilst formerly it was weighed in the cans, the weight of which had afterwards to be deducted. When gross faults of the above

kind have been discovered, the suppliers are at once informed, and invited to amend them without delay. Often, a communication of this character is made by letter, or by a note pasted on the can, when the separated milk is returned. Of course milk not suitable for the purpose is in no case accepted for the making of butter ; in the most serious cases, or when remonstrances have been ineffectual, the Board of Management has the right to suspend the producer from membership of the society for a time or permanently to expel him ; but generally a warning suffices to prevent the repetition of the offence for a long time, even in the case of the least conscientious producers.

Attempt has been made to introduce a principle by means of which a certain price may be assigned to milk of a certain quality, but it has not been possible to get it accepted. It is extremely difficult and often impossible to establish a fixed and permanent relation between the quality of the milk and its value for the production of butter. On the other hand, in certain localities a whole system of fines has been introduced, by means of which producers supplying specially bad milk are paid reduced prices for a certain time, or until there is a real improvement.

As security for their various interests and common work, several leagues have been formed among the co-operative dairies. The co-operative movement in Denmark has produced a large number of these leagues, as the organisation is founded on the principle of the division of labour, which aims at assigning as far as possible each special and definite function to a special association. In accordance with this principle, no single central organisation is to be found in the field of dairy industry, but, in its place, we see a whole series of organisations enjoying equal rights, closely associated, but at the same time completely independent of one another in their work.

We shall now only summarise in a few words the principal duties of these Central Societies, showing their numbers and their importance and consider more in detail a special institution.

(1) As regards the co-operative sale of dairy produce, there is a series of societies for the export of butter, formed among federated dairies engaging to sell the butter they wish to export through the medium of the society in question, and to accept joint and several liability in regard to the production of butter. In general, non-co-operative dairies may also be members of these societies. The first such society was founded in 1888. Now there are six, in various districts of the country; they associate 275 dairies and the total annual business done by them is about 43,000,000 crs.

(2) As regards the co-operative purchase of dairy machinery and other industrial apparatus, 175 dairies united in 1901 to form the "Co-operative Society for Purchase and Manufacture of Machinery for Danish Dairies." The society has 20 sections, and 851 dairies are now affiliated to it. The total annual business done by it is about 2,200,000 crs., half in connection with the manufacture of machines and half in connection with co-operative purchase. The members of the society are in no way obliged to make purchases. The society was first of all only a co-operative society for the purchase of ordinary articles of trade; but it soon began to occupy itself with the purchase of dairy machinery requiring to be specially fitted up and a workshop for the purpose, and began actively to manufacture the machines themselves. This was arranged by taking over the succession to a former private, well-organised business, the former proprietor of which was appointed technical manager, which assured the society from the start of the necessary administrative and technical competence. The society could thus be placed on

a footing of equality with competitors at home and abroad, and fulfil the task it has assigned to itself, consisting not so much in manufacturing the best machines and implements as in directing the business on healthy and honourable lines, at the same time avoiding all the various costs of advertisement, travellers, etc., that the competition of private undertakings necessitates.

(3) The dairy societies occupy themselves with the encouragement of the dairy industry, both from the technical and the economic point of view, and especially with the protection of the interests of the industry abroad. Their activity and efficacy, on which for the moment we shall not insist, is guided by the representatives of the dairies concerned. Most of the dairy associations were founded between 1890 and 1900 ; to-day there are altogether 21, with a total of 1,128 affiliated dairies. The local societies have federated and formed three provincial associations for the three chief regions of the country, and have also become affiliated to the "General Organisation of Danish Dairy Societies." This organisation occupies itself with business of general interest, such as the answers to be given to questions eventually put by the legislative authorities or the Government, in regard to the laws and regulations relating to the dairy industry and represents the interests of that industry with third parties. This central organisation has also other important functions relating to farming statistics and statistics of prices of butter, butter quotations, etc. The presidential office of these bodies is composed of the managers of the three provincial associations above mentioned, and four members appointed by the Committee of Representatives ; each local dairy society appoints a representative for every 20 members, and he has a seat on the Committee. The Committee of Representatives is invested with supreme authority and elects the President of the Organisation.

The Dairy Associations must not be confused with the Association of the Technical Dairy Managers, which is a league of the Technical Managers and their assistants. Its organisation is similar, as it has provincial sections and a sphere of action coinciding in part with that of the dairy associations and on many occasions has collaborated with the dairy associations.

(4) Sometimes independently, sometimes in dependence on the dairy associations, the associations for the estimation of the value of milk perform the work already described. There are 14 of them, affiliating 258 dairies.

(5) As a central independent organisation of several sections of the Technical Dairy Manager's Association and as a special local union of dairies, we have the committee for co-operative experiments with a view to the manufacture of cheese. This committee proposes to direct experiments in cheese-making and cheese-shows, the object of which is—on the basis of accurate reports, presented by the various dairies, in regard to the methods adopted in cheese-making and its preservation in cellars—to decide what may be the most suitable means for improving the production, taking especially into consideration the general judgment passed on the produce obtained. This committee has a member for each local section represented. Each member organises the shows in his section and, for the purpose of judgment, two experts are attached to him, appointed permanently for all the sections generally.

(6) On the promulgation in 1898 of the law on accident insurance, obliging the dairies, as industrial undertakings, to pay compensation to their employees in case of accident, they formed their own accident insurance society, afterwards so enlarged as now to take in all agricultural businesses subject by the law to insurance, and even voluntary insurance societies. The dairy section of this association now includes 1,311 dairies.

Finally, the dairies are represented by the provincial unions of dairy associations on the Central Co-operative Committee of Denmark, the central organ representing the Unions of Danish Co-operative Undertakings, the duty of which is to promote the action of the societies, and strengthen their position both at home and in foreign relations, in harmony with the international co-operative movement.

III. Cattle-Rearing Societies in Switzerland.*

Switzerland is the home of cattle-rearing societies of which there are now 850.

The objects of co-operative societies for cattle-rearing in Switzerland are :—

- (1) the selection and proper maintenance of the best bulls.
- (2) the selection and marking of the best cows and heifers.
- (3) the systematic maintenance of animals for breeding purposes and the proper rearing of their calves ;
- (4) the regular keeping of a Herd-book with correct particulars as to the pedigree of the animals ;
- (5) enquiry as to capacity of productions ;
- (6) the encouragement and facilitation of the sale of cattle for breeding purposes, and the protection of the interests involved ;
- (7) the exchange of information among the members of the society as to questions of breeding and feeding.

Some particulars will now be given as to the foundation, the constitution and the work of a co-operative cattle rearing society.

* [Being extracts from an article in the International Review of Agricultural Economics, (Rome), January, 1916.]

The society is founded by a certain number of agriculturists or breeders of the same neighbourhood or of adjoining districts, who subscribe to the bye-laws.

The capital required for the purchase of a bull is generally collected by means of a quota of from 20 to 100 francs per person. The association comprises the general body of members, a President's Committee composed of from three to seven members, a Committee of Experts or Valuers and a Committee for the Examination of the Accounts. The secretary of the society usually keeps the Herd-book and is nearly always one of the President's Committee. The Committee of Experts is generally composed of three members who may be all or in part elected among the members of the President's committee. The share capital may be formed out of subscriptions and premiums paid by members joining the society, later, from fees for animals entered in the Herd-book (one or two francs per head), from prizes gained by bulls belonging to the society, and from contributions from the state and the commune. The co-operative societies do not aim at making large profits, but they often endeavour, more especially the larger and older societies, to form a reserve fund to meet any eventuality. Members are not responsible for engagements made by the Co-operative Society to which they belong: it must fulfil them exclusively with its own capital. Since 1910 the Swiss Confederation has shared the cost of establishing co-operative cattle-rearing societies, granting to them sums of from 100 to 300 francs. The amount of the contribution depends on the quality of the cattle, and more especially of the bulls belonging to the society, as well as on the correct keeping of the Herd-book.

Individual co-operative societies vary much in importance; as a rule the number of members is from 10 to 50, but in exceptional cases there are 60 and even 100. The number of

animals entered in the books varies from 30 to 100, sometimes even to 200 and more. The territory of a society may include one or more communes and extend even over a whole valley.

The choice of sires from among cattle belonging to members is made by the above-mentioned committee of experts solely from among animals of pure breed and of the proper age. This committee also buys bulls for the society and decides, generally only provisionally, as to the acceptance and entry of cows and heifers in the Herd-books. Their definite acceptance is in most cases made by the cantonal examining commission, which every year revises the assets of the society. Animals to be entered are marked on the left horn with the mark of the society and a progressive number. Should the animal be sold to any person not belonging to the society, or to a butcher, its name is erased from the Herd-book. This must be done also, should the animal prove of inferior quality or of insufficient reproductive power. The bulls are chosen with the utmost care. The societies as a rule keep bulls which have certificates for service. A bull belonging to the society must not only possess beauty of form and have proved reproductive capacity, but must also be of a good breed and give reasonable expectation that its good qualities will be transmitted to its descendants. The questions both of descendants and pedigree are of great importance in the selection of bulls. The co-operative societies generally buy only those bulls acknowledged to be the best, and therefore the prices paid are considerable, sometimes 4,000 or 5,000 francs and even more. It often happens that one bull is not sufficient for the larger co-operative societies which are sometimes obliged to buy a second or even a third, though others limit themselves to one, which they hire. In this case a regular contract is made by which members possessing bulls of good breed agree to put them at the disposal of other members on payment of a fixed

sum by the society. Bulls thus hired are entered in the Herd-book of the society.

Cows and heifers are not entered in the books unless they are of good breed. Since the intervention of Government has made itself felt in the breeding of cattle, every animal must be examined, according to a uniform system (classification by marks, highest number 100). In this way a certain uniformity is obtained in the acceptance of cattle, and now the only difference is as regards the minimum number of marks necessary for entry in the books. In consequence of the improvement in the quality of the animals the minimum has been raised and the examinations are more strict.

Co-operative societies for cattle-rearing have also brought about an improvement in the management of the animals. The society generally entrusts its own bulls to the care of one of its members who signs a regular contract by which he engages to feed and take care of the animal for a certain sum as compensation. There are special rules laid down by the society for the management, feeding and hiring out of the bulls. Besides fodder (hay and sometimes fresh grass) bulls should also have a certain quantity of more substantial food, under the form of bran, and specially ground oats. For cows and heifers there are common pastures. Alpine co-operative societies have mountain pastures to which they can send the animals for the summer months. The societies of the valleys are now continually endeavouring to buy or hire mountain pastures for the cattle of their members, for the beneficial effect of a summer in the mountains on the health and development of the animals, especially of the younger ones, is well-known. It will be seen that owing to the co-operative societies much progress has been made in the breeding and management of cattle. The calves are more scientifically fed, receiving sufficient whole milk for a much longer time, and substantial food as they grow older.

They are prepared for the mountain pastures by having full liberty in fields adapted to their needs. The development of the animals is encouraged and protected by sound methods, too early breeding being avoided. The co-operative societies have also undoubtedly contributed to encourage the breeders to perfect themselves by mutual instruction and good example.

These societies have always made a point of requiring a regular registration of cattle and in this respect they are worthy of all praise, for breeding could have no durable result without a precise knowledge of the pedigree of the animals, and thus a carefully kept Herd-book is indispensable. The Swiss Department of Agriculture gives precise and minute directions as to the keeping of these books, so that the system is uniform throughout all the cattle-rearing territory.

Private Herd-books, without official character, are of little importance now that co-operative cattle-breeding societies are widely diffused.

The society's registers comprise the following books, principal and secondary :

The Herd-book properly so called, divided into two parts, one for bulls, the other for cows and heifers ;

The Register of Admission ;

The Stall-Book ;

The Service Certificates ;

The Register of Service Certificates ;

The Register of Births ;

The Certificate of sale, etc. ;

The Register of young Animals ; . . .

The Extract from the Herd-book.

As already stated the animals to be entered in the books of the society must be marked on the left horn. In the Register of Admission the name and age of the animal and the name of its proprietor etc. must be entered, and from these particulars the regular entry in the Herd-book is made,

For the exact keeping of the Herd-book, the Stall-book is of great importance ; it must be kept ready for reference by every owner of a bull. In this book must be entered in chronological order all the services of the bull, also its name, number, and countersign or metal token, also the age of the cow and the name of her owner. From the Stall-book these particulars are taken for entry in the Herd-book in which births must also be registered when duly announced by the owner of the calves. If a member should hire a bull other than that belonging to the society he must inform the society by sending in the Service Certificate. When a bull is sold, the owner must give notice to the society by means of a special certificate of sale. Note of this must be made in the Herd-book in which there is a space for entering the pedigree, the measurements, the classification of the points, and the reproductive capacity.

An essential part of the Herd-book is that which contains the certificates of service given by the federation. Since 1891 the Swiss Department of Agriculture distributes to cattle owners the best bulls selected according to the Service Registers. The certificates are numbered, and contain the name, number, countersign and generally the pedigree of the bull. Cows and heifers also receive Service Certificates containing the name and address of the owner, the name, age and marks (number and countersign), the metal token (number and entry), and colour of the bull. The certificate holds good for four services, and bears the date of its issue and the signature of the writer (either the keeper of the bull or the keeper of the Herd-book). Another essential part of the certificate is the entry of the birth with the pedigree of the mother, the day of the birth, the name of the calf, the number and the entry of the mark on the ear and the date, also the signature of the registrar.

The calves of such bulls and cows themselves, destined for breeding purposes must bear on the right ear the federal mark placed there by men duly appointed. The owner of the animal must confirm the birth and pedigree of the calf before the Registrar calling two witnesses as prescribed by law. The registrars are appointed by district Government officers and must be persons worthy of trust, if not the district veterinary surgeons.

The respective cantons must supervise the keeping of the registers of service certificates. The registers are submitted in June of every year to the Swiss Department of Agriculture. Such registers are now in use all over Switzerland but more especially in those cantons where the Brown breed prevails. Since they were introduced and the consequent marking of calves with the federal metal token, the pedigree of the animals is securely established. Such a guarantee is daily required in commercial transactions, offering as it does, a means of identifying the animal much more precisely and surely than by a paper of written notes. The pedigree of the animal is also proved by the federal Herd-book, and in later times by pedigree tables, which are becoming more and more general from their clearness and completeness. The appraisement of descent considered in the adjudication of prizes, and in part also in the admissibility of the bull for service, is calculated by marks.

A pedigree book is a new factor in guaranteeing pedigrees. It treats of the best breeding stocks and their descendants. In researches for purity of blood it is one of the best helps and renders excellent service in the purchase of animals for breeding. In 1911 the Swiss Agricultural Department published a pedigree book for the territory in which the Brown Swiss prevails. In 1914, a similar book appeared for the Fribourg breed, edited, with the aid of a grant from the Government, by the Federation of the canton of Fribourg.

Though the co-operative societies have displayed great efficiency in promoting regular registration and in keeping exact records of pedigree the same cannot be said with regard to records of productive capacity. There are some data successfully kept as to the produce of milk, chiefly on the great estates with stall farms, but these are few in comparison with the great extent of the breeding districts and the number of co-operative societies. The reasons for this arise partly from the natural conditions of the country. In the higher mountain regions nearly all the animals for breeding spend the whole summer in the Alpine pastures, exposed to continual changes of weather which cause difficulty in the study of their capabilities. Yet we cannot say that it is better in the valleys and that there is no need for greater care in such matters. Efforts are, however, being made for investigation, and sooner or later they must bear fruit.

IV. Co-operative Farm Implements Societies in Ireland.—

Though the war has caused an advance in the price of farm produce, and would therefore lead to an increase in the arable area, it should be borne in mind that it has also brought about a great shortage of manual and horse-labour on the farm. As a consequence of this fact, the difficulties of the arable farmer have greatly increased.

The shortage of both kinds of farm labour could undoubtedly be overcome by the use of labour-saving implements on a more extended scale. Except in very large farms, however, the introduction of such machinery presents another difficulty ; farm machinery is very costly, and average farmers of medium-sized and small farms have not sufficient capital to purchase the necessary machinery for a large extension of their tillage area.

This statement is specially true of Irish farmers, and, realising this difficulty, Mr. T. Wibberley, Agricultural Expert

to the Irish Agricultural Organization Society, a few years ago, devised a co-operative farm implement scheme, through the operations of which it has been possible to place practically every farm implement, from a one-horse plough to a high-power agricultural tractor, at the disposal of farmers who become members of the co-operative implements societies. Further, the implements have been made available to farmers by the use of a merely nominal amount of capital on the part of the individual farmer.

The Formation of a Co-operative Farm Implements Society.—

When it has been decided by a community of farmers to start a co-operative farm implement society, a general meeting is held by those interested in the project. At this meeting, with the help of a co-operative organiser (who always attends for the purpose) the following matters are dealt with :—

- (1) The formation of a Committee, consisting of a Treasurer, a Secretary, and about nine ordinary members ;
- (2) The drafting of general rules for the future government of the society ;
- (3) The financing of the society ;
- (4) The drafting of by-laws in accordance with which the society's implements are let out on hire.

The committee are empowered to raise the necessary capital for the financing of the society, and to transact all business appertaining to the society.

Capital.—The capital is invariably obtained in the form of an overdraft from the local branch of a joint-stock bank. The committee act as guarantors for the amount of the overdraft, and are thus directly responsible to the bank for the security of the amount involved.

On the other hand, each shareholder in the society signs a form making himself responsible to the committee for the payment of his shares in full, in the event of the society

meeting with financial disaster. The object is to make every individual shareholder financially responsible, and since the overdraft is not greater than the amount of shares allocated, the committee are guarded against any financial risks. As a rule £1 shares are issued, and each member is obliged to take at least the minimum number of shares specified by the committee, and also pay on each share at the time of allocation whatever amount the committee decide.

As a rule each member is required to take at least five £1 shares and pay on allocation the sum of 2s. 6d. per share. The rate of interest charged by the joint-stock bank to a co-operative society is very low, usually 4 per cent., and it should be understood that interest is charged only on the amount of the overdraft which the society actually has in use, that is to say, if a permissive overdraft of £500 has been obtained, and only £200 is used, interest is only charged on the latter amount.

Hiring of Implements.—The bye-laws controlling the rates and terms of hire of the society's implements are framed—again with the expert assistance of an officer of the Irish Agricultural Organization Society—to meet the specific requirements of the particular district.

As a general rule, the implements are hired out in the order in which applications for them are made by the members, but since the main object is to encourage tillage, precedence in the use of an implement is given to the member who wishes to use the implement for the longest period. That is to say, if on the same day two men require the use of a corn-binder, one having 10 acres of corn and the other 2 acres, the former takes precedence, and so on with all other implements. If in the case mentioned a second binder is not available then the applicant with 2 acres of corn has no alternative but to harvest his crop in the ordinary manner; that is, with an ordinary manual reaper and in some of the

poor districts with a scythe. Such action gives an opportunity for the display of one of the finest features of the co-operative movement, viz., the exercise of private co-operation amongst the members themselves. For example, in the case referred to, the farmer who has been fortunate enough to secure the use of a corn-binder, requiring at the most only one other manual helper for the harvesting of his crops, would in most cases come to the help of his fellow-farmer by lending to him those of his own workers whose help is not immediately required for the saving of his own corn. It may also happen that a farmer with only a small amount of tillage is debarred from the use of several implements, and one might be surprised that such a farmer persists in remaining a member.

In actual practice, however, it usually happens that the farmer who requires the use of expensive farm machinery himself possesses the cheaper implements, and thus does not require to hire such implements from his society ; in consequence, the cheaper implements are more at the disposal of the smaller and poorer farmers, who individually cannot afford to buy them.

Further, the greater the amount earned by the machinery, the stronger the financial position of the society becomes and the sooner more implements can be purchased. As will also be readily understood, the greater the demand for any particular type of implement, the more of such implements are purchased by the society.

As a general rule, the rate at which the implements are hired out to members of the society is about half of what it would cost to carry out the various operations under the old regime. If, for instance, potato-sorting by hand costs 15s. per ton, the potato-sorter is hired out at 7s. 6d. per ton. If corn-binding with the manual reaper costs 15s. per acre, then the combined reaper and binder is hired out at 7s. 6d.

per acre. Again, if the ploughing of stubbles by horse-labour costs 10s. per acre, a double disc harrowing with the agricultural tractor (which tills the land more effectively) is undertaken at the rate of 5s. per acre. In the case of corn threshing, the usual rate is a half-penny per stone threshed.

Implements for Nothing.—Apart from the great saving effected in the cultivation of land and the harvesting of the crops through the operations of an implement society, it is remarkable how soon a well-conducted society can earn sufficient to pay for the initial cost of the implements. Many instances are on record where a society commencing with two binders has in one harvest earned sufficient to purchase a potato-digger. The potato-digger has gone out on hire, and in its first season has earned sufficient to buy a corn-drill, which in like manner has earned the price of a horse-power sprayer, and so on. It is usually in such a small way as in the preceding case that a society commences its operations. Once the farmers of a district recognise the utility of such a scheme, the membership increases very rapidly. Automatically the society's borrowing powers increase, and it is then in a position to undertake the purchase of the more expensive implements, such as agricultural tractors and complementary implements, combined threshers and finishers, and mole-draining plants.*

IV. The Oxford University Co-operative Society, Limited.—

Every day the conviction is being forced on us that the fundamental idea on which the future civilization of the world would be based is the co-operative idea. In Europe and in India co-operation has worked wonders in effecting agricultural development : in urban life also the co-operative idea is making great progress. Surely the co-operative

[* Based on an article by Mr. T. Wibberley in *the Journal of the Board of Agriculture*.]

movement is one in which the Universities—specially the new teaching and residential Universities about to be started in various parts of India—should be interested. In the United States the Harvard and Madison Universities, in Ireland the Dublin University and in England the Oxford University have already Co-operative Societies as working models. Here we intend briefly to notice the aims, objects and the organization of the Oxford University Co-operative Society, Ltd.

Towards the end of 1913 a number of under-graduates of the Oxford University decided to form a Co-operative Society of which the membership was to be confined to members of the Oxford University and to those teaching or undergoing instruction there. The objects of the Society were declared to be :

- (i) To show in a practical way the ideals, advantages and possibilities of Co-operation as an instrument of Social Reform ;
- (ii) To encourage the payment of cash for goods and to discourage the credit system by the advantages of dealing at the society's store, and by special discount arrangements with Oxford firms ;
- (iii) To favour goods produced under fair conditions as to hours, wages etc., and specially goods of co-operative production ;
- (iv) To lessen the cost of living at the University.

The movement was able to secure the good wishes of Lord Rosebery and of other public men as well as the well-known authorities on Co-operation who were members of the Honorary Council ; and a number of Heads of Colleges, Professors, Fellows and Tutors became Shareholders. On the 18th of May, 1914, the Oxford University Co-operative Society, Limited, was duly registered under the Industrial and Provident Societies Act of 1893, and began business as dealers in groceries, tobacco and athletic goods.

Any graduate or undergraduate of the University or other person teaching or studying at it may become a member—

- (i) by taking at least one share. Shares are nominally £1, but only 10s. need be paid up on each. Five per cent interest is paid on all shares : the share money may be repaid when a member leaves the society ; and
- (ii) by paying an entrance fee of 1s., which covers cost of Registration, copy of the Rules, and share pass book. Societies, Clubs and Institutions may also become members.

Purchases from the Society are either (i) made for cash ; or (ii) by arrangements, through a college store in the ordinary way ; or (iii) charged to a deposit account, which may be opened at any time and will bear interest on sums of £1 and over ; or (iv) by credit in the case of college stores, societies etc.

The management of the Society is in the hands of a Committee appointed by its members. The shop and the paid staff are under the control of this Committee.

The advantages of membership are thus described :—

- (1) All profits are distributed among members at regular periods in proportion to the amount of their purchases. A member who holds one share and who purchases all he needs at the store gets far more dividend than a man who holds two hundred shares and buys little.
- (2) Interest is paid at 5 per cent on capital invested (which may be from 10s. to £200) ; also interest is paid on deposits of £1 and over.
- (3) Dividend is also paid on purchases made at the Oxford Co-operative and Industrial Society and at a number of the leading Oxford shops, a list of which is given to each member. Purchases

made at these latter firms rank as purchases made at the O. U. C. S., and help to increase the total dividend. The discount is paid in the following way, in order to save trouble to the tradesman and to the customer and to prevent persons not members of the O. U. C. S. attempting to obtain the discount. Each firm has a duplicated receipt book stamped O. U. C. S., etc., and gives to each purchaser at the time of payment a receipt form with share number of purchaser, amount paid, name of firm and date of purchase. The customer pays the amount of purchase in full and keeps the receipt. The firm keeps a duplicate and at the end of term or other period agreed upon sends all duplicates and a cheque for total amount of all purchasers' discount to the Bankers of O. U. C. S. who distribute the discounts to members together with its ordinary dividend.

- (4) By control of their business members of O. U. C. S. ultimately control the sources from which the goods are obtained and have it in their power to enforce such conditions as they desire in regard to production and quality.

This scheme is certain to have the double advantage of benefiting the under-graduates of the University in their college life, and of giving them a personal acquaintance with the principles and practice of a great movement with vast potentialities for the future good of the human race. Oxford is to be congratulated on being the first University in England to promote such an enterprise.

One great advantage of the scheme is that it would lower the cost of living in the University—a point of great importance to students, their parents, and to the University

itself. It should have somewhat of the effect of a universal scholarship, and this, in the competition between Universities, is of great importance.

It should, moreover, familiarize the members with practical economics. The demands made on modern Universities to-day are much greater than in the past. It is demanded of them that not only are they to impart to students a general culture, but that they are to fit them to cope with the great economic and social problems which in modern times are throwing in the background all other problems. They are required to be practical as well as ideal in their methods. The education in economics, to be effectual, must be practical as well as theoretical. No one can learn science from books alone. Natural science, as expounded in the lecture-room, must be supplemented by practical experiments in the laboratory. One could hardly imagine bacteriology, physiology, or chemistry being learned without the use of the microscope, the dissecting knife, the crucible, or the retort. And it is equally true of economics that theory only becomes really illuminating when it is conjoined with practical undertakings such as the O. U. C. S.

The establishment of teaching universities with limited local jurisdiction in different parts of India affords excellent opportunities for making new co-operative experiments on the model of the O. U. C. S. With advantages so obvious to all and with such an illustrious working model before it, we hope each of the new Universities will seriously take up the problem of starting its own Co-operative Society.

VI. The Rochdale Pioneer's Society.—

One of the earliest and most successful of the co-operative stores in Great Britain was established about the middle of the last century, and it had an origin so humble as at the

time scarcely to attract any notice. It appears that in the year 1844 there was great depression in the flannel trade at Rochdale, and as the wages of the weavers were much reduced, the fact seems to have impressed itself upon some of them, that their scanty earnings did not go so far as they might, because the articles sold to them in the ordinary retail shops were dear and often much adulterated. Twenty-eight of these poor weavers accordingly agreed to club together a small sum in order to purchase some tea and sugar from this common stock paying ready money for it, and giving the same price for it as they had been charged at the shops. They did not expect to secure any considerable profit ; the object they had in view was not so much to obtain a good investment as to avoid purchasing dear and adulterated articles. But they found that a very large profit had been realised. The great advantage of the plan became manifest, for not only were they provided with a lucrative investment for their savings, but they obtained unadulterated tea and sugar at the same price as they had been obliged previously to pay for these same articles taken when their quality was deteriorated by all kinds of adulteration. A fresh stock of tea and sugar was, of course, purchased. Other labourers were quickly attracted to join in the undertaking, and subscribe their savings.

In 1856 this society, now become famous as the Rochdale Pioneers, possessed a capital of about £12,900. The business was not long restricted to articles of grocery ; bread, meat and clothing were all sold on the same plan. Their capital so rapidly increased, that they were soon enabled to erect expensive steam flour-mills ; and a supply of pure bread was thus ensured. During many years, this Pioneers' Society has attracted frequent public attention ; for it has gradually grown into a vast commercial institution, embracing a great variety of trades. The society occupied, in 1906, forty

branch establishments in Rochdale, besides its central building which was erected in 1867 at a cost of nearly £14,000.

The share capital of the stores so rapidly increased that it possesses far more than sufficient to carry on its business. In 1906 the Pioneers' Society had 13,333 members ; a share and loan capital of £305,244 ; and an annual trade of £292,592. After paying a small fixed dividend upon capital the remaining profits are distributed among the customers of the stores in proportion to the amount of their purchases ; this bonus is sometimes received in cash, but may be re-invested as capital in the society. As already stated, a capital far exceeding the amount required for carrying on the business of the stores has been accumulated. This capital is invested in various ways, some of it in the support of other co-operative societies, and in local industries ; and a large amount is invested in mortgages to members, chiefly on dwellings occupied by themselves.

The remarkable success achieved at Rochdale naturally led to the establishment of similar stores throughout the country. In many of the manufacturing towns in the north of England, the working classes deal almost entirely at these stores ; but they have not been established in the large towns only, for they are now frequently to be found in agricultural villages. Exclusive of the large London stores such as those known the Civil Service and the Army and Navy, there were in 1914, 1385 retail co-operative stores in the United Kingdom with a membership of 3,055,828 and a Share, Loan and Reserve Capital of £58,305,412 ; their annual sales amounted to £132,316,095 and they yielded a profit of £14,542,623.

As previously remarked, the profits realized in these stores are distributed not amongst the employees, but amongst the customers and the share holders. The particular method of distributing the profits which has been adopted at nearly all the stores is extremely simple, and is the one originally

agreed upon at Rochdale, which we will now describe. Each customer, when he makes a purchase, receives certain tin tickets which record the amount of his purchases. The accounts are made up at the end of each quarter, and after a fixed dividend at the rate of 4½ p. c. per annum on share capital up to £50 and 2½ p. c. on share capital over £50 has been paid, the surplus profits are divided amongst the customers in proportion to the amount of their purchases. Each customer brings his tin tickets, which serve as a record of the amount he has purchased. The goods are sold at the prices which are current at the ordinary retail shops. The business is strictly a ready-money one. Under no circumstances, whatever, is any credit given. The strict adherence to this rule has doubtless contributed more than any other circumstance to the remarkable success of these stores.

The Rochdale Pioneers' Society is not only a great commercial institution but also a potent educational influence in its area of operations. For it maintains out of its profits several news rooms well supplied with newspapers and periodicals, a lending library of more than 16,000 volumes, and a reference library of 2,821 volumes; scientific instruments are also kept for the use of the members. The society also organises holiday excursions at suitable seasons for its members and employees, to many of the most picturesque parts of England, Scotland and Wales.

VII. Co-operative Electricity Societies.*—

One of the most noteworthy recent developments in German co-operation has been the rise and rapid extension of societies for providing rural districts with electric light and power. In 1900 there was not a single registered electricity

[*Based on Mr. Capill's Report on Agricultural Credit and Agricultural Co-operation in Germany.]

Society; in 1907 there were 16; at the present time, their number may be estimated at between 600 and 700. The use of electric light and power is to be noticed in even quite small villages in most parts of the country and electric motive power is considerably utilized by large towns in many of the more Eastern Prussian provinces. Its use by farmers has been stimulated by the marked increase in the employment of large and small agricultural machinery ; threshing machines, hoes, cultivator's mills, milk centrifugal machines, etc. are now very commonly driven by electricity. The dearth of farm labour has been another concurrent factor. Apart from the advantage of saving or replacing the labour, whether of man or beast, electricity is advantageous for farmers through the low cost of maintenance of the electric apparatus, the absence of running expenditure when not being utilized, the rapidity with which it can be put in operation, its simplicity for handling, the facility with which the motor can be applied to the working of several machines simultaneously, its precision, its cleanliness, its freedom from danger of fire, and, under normal conditions, its comparative cheapness. Smaller farmers are making an increasing use of electric power.

There are three principal groups of such Co-operative Electricity Societies :—(1) those producing and distributing electricity ; (2) those erecting their own conductor installation but obtaining their supplies from others ; and (3) those representing merely combinations of persons for obtaining electric supplies by guaranteeing a minimum purchase of current or to obtain reduced rates therefor. The great majority of the present societies fall in the latter category. By co-operative action cheap electricity is obtainable by small farmers even of the remotest village.

Public authorities (Provincial, District, Local, as well as the State Railway authorities) have materially assisted the movement to bring electricity within the reach of the in-

habitants of country districts. In one province a large number of communes and districts have become share holders and consumers in co-operative control stations, and thereby given considerable solidity to the particular undertakings. Such participation is specially important for electrical undertakings depending largely on agricultural consumers, who require power for only a few months in the year, although they use it then to such a considerable extent that the conducting lines and sub-stations must be upon a considerable scale.

VIII. The Co-operative Hospital in Spain.—

The co-operative hospital at Barcelona consists at present of 103 societies with a total membership of 21,000, the number of those entitled to use the institution being 117,000, since the privileges of a member extend to his or her wife or husband, children, parents and parents-in-law. Each member has to pay an admission fee of 1.50 pesetas (1s. 2½d.) and a monthly contribution of 0.10 pesetas (one penny). When a member is ill, he is received by the institution, which for a sum of 3 pesetas (2s. 5d.) per day provides food and medical attention, including surgical operations. The institution was founded in 1904 by the Barcelona Waiters' Union and Friendly Society. It began with one society of 800 members and with 5 beds. It has now 55 beds. The present building is held on lease, but the new one will be the property of the Society. "La Quinta de Salud la Allianza" has cared for 2,148 in-patients, 83 per cent of whom were operated upon. It has free general dispensaries and surgeries for diseases of the eye, throat, nose, ear, etc. Up to now 82,000 patients have been gratuitously attended in these dispensaries. There is no interference with the political, religious and social ideas of members and patients.

The members of the Society are greatly indebted to the noble generosity of Senor Don Juan M. Grino Farges and

Senõra Dona Rosa Robert de Grino, who have made a gift of 125,000 pessetas (£5,000) for the purpose of acquiring the land on which the new Co-operative Hospital is to be erected. The hospital is attended by fourteen doctors, two resident students and two midwives. Dr. R. Girona Trins, the founder, is at the head of the staff and of the institution.

CHAPTER III.

RURAL INDEBTEDNESS IN INDIA.

According to the census of 1911 agriculturists in India number twenty-two and a half crores and they form 71 per cent of the total population in the whole of India including the Native States. And what is the general condition of the common agriculturist in India ?—well—

Bowed by the weight of centuries, he leans
Upon his hoe, and gazes on the ground,
The emptiness of Ages in his face,
And on his back the burden of the world !

The one universal truth in regard to agriculturists all over the world is that they must borrow. Another fact that is equally true of almost every country in the world is that it has been always difficult to obtain agricultural credit, because the individual credit in the case of the agriculturists is small and the whole of the banking credit has been confined to commerce and industries. At the same time agriculturists as a class cannot avoid borrowing. But unfortunately they have never been able to obtain cheap and easy loans, principally because the credit they could offer was small. It is also unfortunate that while commercial credit can be obtained easily and cheaply on scraps of paper, agricultural credit, although it can offer tangible or real security—such as live stock, land, or future or standing crops—has invariably been far dearer than commercial credit. The reasons appear to be as follow (1) the ignorance of the agriculturists ; (2) their distance from the towns where banks are situated ; (3) the reluctance of the banks to extend small transactions to villages among an ignorant people ; and (4) the want of sufficient knowledge

regarding the substance or integrity of the borrower. For these reasons it has always been necessary in India—where agricultural indebtedness has for a long time been a growing evil—that the agriculturists should have some form of cheap and facile credit—not so facile, however, as to lead to extravagance and abuse—adequately surrounded with proper safeguards. Credit has been aptly compared to fire, which is useful only when kept under strict control. “Free, unrestricted credit to agriculture in isolation is a positive danger : credit in association, guided and influenced in its use by the wiser counsels, by the increased self-respect and self-restraint which association produces, is a powerful restorative, an educative and disciplinary agent, a national necessity.” Guarded and productive credit, then, not merely cheap credit, is what is needed ; organised credit will act as a restraint on the borrowers, and prevent unintelligent or extravagant use of the loan. The development of the man himself should be facilitated, and not merely the rapid spread of banks ; any movement which aims only at the latter object is one-sided and radically defective.

This subject of rural indebtedness in India is one of the most chronic and difficult problems which the Government of India have been called upon to solve. The Famine Commission of 1880 drew attention to this question in the following words—“We learn from evidence collected from all parts of India that about one-third of the land-owning class is deeply and inextricably in debt and that at least an equal portion is in debt, though not beyond the power of recovering themselves.” We find a gloomier picture of the indebtedness of the agriculturists in the report of the Famine Commission of 1901—“In his evidence before us, the Chief Secretary of the Bombay Government said that 28 per cent of the land in Broach had passed into the possession of the money-lending classes ; and from a report of the Collector

of Ahmedabad, it appears that in his district, expropriation of the old owners has also made considerable way. Taking all these statements into account, and comparing them with the evidence we have recorded, we think it probable that at least one-fourth of the cultivators in the Bombay Presidency have lost possession of their lands, that less than a fifth are free from debt, and that the remainder are indebted to a greater or less extent."

According to that most competent observer Mr. William Crooke, from 56 to 78 p. c. of our cultivators are in debt. Sir Theodore Morrison thinks that the average is about two-thirds of the whole body of cultivators who generally borrow from the village money-lender at exorbitant rates of interest. From a return furnished at the first All-India Registrars' Conference held at Simla in 1906 we find that the rates of interest charged by the village money-lender on agricultural loans to ordinary cultivators are,—

<i>Provinces.</i>		<i>Rates.</i>
Madras	...	12 to 15 per cent.
Mysore	...	12 "
Bombay	...	12 to 15 "
Central Provinces	...	18 to 25 "
Bengal	...	18 to 25 "
Eastern Bengal	...	18 to 24 "
Assam	...	37½ "
Punjab	...	24 "
Oudh and Meerut Divisions of the U. P.	...	12 to 18 "
Other Divisions of the U. P.	...	37½ "

According to Mr. Wolff "there are oppressive debts for which raiyats are charged from 25 to 75 and sometimes 100 per cent. and even more—one Registrar instances a case of 1340 per cent!"

A special difficulty arises from the fact that the agriculturists want loans for other purposes than agriculture: for these loans they have to fall back upon the money-lender. The result is that the common cultivator lives in debt year in, year out, and is too often ruined by the *mahajan* (the village money-lender). In most cases the cultivator is over head and ears in debt to him and can hardly get out of his clutches. At harvest, he is compelled in a great many cases to sell his produce to the *mahajan* at the *mahajan's* rate and is cheated only too often in the weighment as well as in the rate. The bulk of the money he earns goes to pay the rent and the too heavy interest on his former loans. Between harvests the poor man has to borrow again for the necessities of life, and this hopeless cycle of heavy loans and meagre repayments plunges him deeper and deeper in debt.

Nor is the case of the poor artisan in the villages any the better. The weaver, the boat-builder, the blacksmith, are all in the same state of chronic indebtedness. For the purchase of raw materials the artisan has to borrow, and so pressing is the demand of the *mahajans* that he is compelled to sell off his manufactured produce at once at what price he can get, too often to the *mahajan* himself. He has to borrow for his food and his clothing, for the payment of rent, for every necessity and luxury of life. He has to borrow his capital and he borrows it at an enormous rate—and too often he cannot get sufficient capital for his needs. Sir Daniel Hamilton expressed these circumstances very tersely when he said that one must buy one's finance cheap and sell one's produce dear to make one's industry profitable, but the Indian artisan and cultivator buy their finance dear and sell their produce cheap, and the consequence is that they are imposed on at both ends, and live in perennial poverty with scarcely any hope of bettering their position.

The reason for this deplorable state of affairs is to be

found in the villager's want of thrift. Want of training as to how to save and put by, hereditary instincts and customs of extravagance at wedding, and other ceremonies, and above all, the want of a safe place where to keep the savings—all these contribute to the absence of thrift among the Indian rural folk. The result is that the majority of our villagers are absolutely dependent on the village *mahajan* or *sowkar*—as absolutely, in fact, as they are on the rainfall or on the sunshine. The *mahajan* supplies the capital which maintains the cultivator and his family while the crops are maturing, and he furnishes the means to meet exceptional emergencies, such as the loss of stock or the celebration of marriage. But there are certain defects in the methods of money-lending by the *mahajan* viz,—

- (1) doing business with an insufficient amount of capital ;
- (2) a desire to defraud the innocent borrower or to possess his land ;
- (3) reluctance to receive repayment in small instalments ; and
- (4) the tendency to grant loans for unproductive purposes, because the *mahajan* is anxious to promote his own selfish interests by the ruin of his client.

All these defects could be remedied by means of co-operative credit societies. They supply sufficient capital for the needy members ; they take money in small instalments, as they keep regular accounts of their transactions with their borrowers ; they have no fraudulent desire to ruin one of their own members ; and, above all, the members who manage these societies acquire a training in business methods and organisation which fit them for local self-government. But various stages had to be passed before these societies were introduced into India. We now proceed to summarise them.

CHAPTER IV.

PRELIMINARY EXPERIMENTS.

It was in 1882, on the initiative of Sir William Wedderburn who was then District Judge of Poona, that the Government of India proposed to the Government of Bombay the experimental establishment of an Agricultural Bank in the Purandhar *Taluga* in the district of Poona for providing capital to agricultural classes on reasonable terms. The principle of operation of the proposed bank was to borrow money at moderate interest from capitalists, whether Indian or European, who were willing to lend, and to lend it to ryots at a higher rate, but at one considerably lower than that commonly exacted by the *sowcar*. The security was the ryot's industry and honesty, attested by the fact that he had till then been able to live, while paying as much as 24 per cent on his borrowed capital, and had scrupulously paid his debts whenever it was possible for him to do so.

The Government of India were prepared to clear the way for this experimental bank—(1) by liquidating the debts of the agriculturist within the selected area, on the understanding that the Government advances would be taken over by the bank when it started business ; (2) by allowing the bank, for a time at least, to recover its loans through the revenue courts ; (3) by assigning in some cases priority to its loans ; and (4) by remitting stamp duty and other dues for a certain period in its favour. The Bank was to be at liberty to make loans for any purposes or to any persons having a transferable interest in land within the *Taluga*, but it was to engage to limit the rate of interest on all loans to a maximum of 12 per cent and to conform, in respect to other matters, to the rules prescribed by the Government.

The Secretary of State, however, did not approve of these recommendations to assist 'private enterprise in the manner proposed. He showed that there were very great difficulties in the liquidation of the agriculturists' debts and in advancing fresh loans. He also said that if a private bank were to be assisted by Government machinery in the recovery of its debts, it would virtually be a Government institution, and the Government would incur all the unpopularity and odium of collecting debts which, though private obligations, were treated as public demands. The scheme was, besides, unpractical and financially unsound. It was accordingly dropped.

Although the scheme fell through, yet it must be conceded that Sir William Wedderburn was the first to perceive the magnitude of the Agricultural Indebtedness Problem in India and to devise practical means to solve it. The thought current started by him ultimately gave birth to the idea of introducing the Co-operative Credit Movement into India, for, the problem, as originally perceived by him, has been always the same *viz.*, how to supply the Indian ryot with capital without the loan becoming the cause of his ruin.

The same problem presented itself in Madras. In 1892 the Madras Government directed Mr. (afterwards Sir) F. A. Nicholson to furnish a report on the possibility of introducing into the Madras Presidency a system of Agricultural or other Land Banks. He took immense pains in examining the agricultural credit organisations of Europe and America, and was many years engaged at his work. The result of his labours is embodied in his voluminous "Report on Land and Agricultural Banks" which is "a monument of research and a perfect store-house of information" giving a general sketch of the various systems of agricultural credit. The discussion thus initiated by Sir Frederick Nicholson's memorable work was continued by Mr. Dupernex, a civilian in the United Provinces, in his "People's Banks for Northern India."

The Government and Government officials continued to take greater interest in the movement. In the Hindu caste system, in the Moslem sentiment of common brotherhood and "one for all," in the Panchayet system, and particularly in the *Nidhis* of Southern India, they found ample evidence of the people's natural aptitude for co-operation. Something should be said here about these *Nidhis* or indigenous Mutual Loan Funds.

The *Nidhis* originated in Madras in the fund called the Sadar Court Fund, open to officials only ; it seems to have been started about the middle of the last century when Schulze-Delitzch and Raiffeisen were initiating the co-operative movement in Germany. But the fundamental principle *viz.*, that of association for mutual credit is found in the indigenous, "*kuttu-chittu*" system which is universal throughout the presidency. This latter system depends upon (1) association, (2) confidence, and (3) honest dealing. Briefly the system is as follows—a number of men unite to subscribe periodically a small sum each ; say fifty men agree to pay one rupee per month for fifty months ; each month fifty rupees are subscribed, and lots are drawn for the total sum ; the winning lot takes the pool ; next month the same fifty subscribe, but in drawing for the pool previous winners are excluded ; this continues for the whole fifty months till each subscriber has received Rs. 50. This practice gives men the use in lump of a considerable capital, repayable by small and easy instalments ; it is most useful for building houses, starting a shop, buying a pair of cattle or a piece of land.

A further development, however, is next found ; the subscribing members, or more usually, the promoters of the fund, desired to obtain definite and increased profits for themselves, drawn from the need of the subscribers ; instead, therefore, of drawing for the pool, it was put up to auction

in lump or in lot ; the lowest bidder took the lowest sum below Rs. 50, say 40, obtained only that sum, but gave a chit or promissory note for Rs. 50 ; the difference, Rs. 10, was divided as profits among the other members.

The first *Nidhi* further developed the system ; about 1850 certain employees discovered that they were being ruined by usurers and determined to start a fund to give persons of fixed income a chance of borrowing at equitable rates. The first fund was a "terminating" society with a seven years' period ; each subscriber agreed to pay for 84 months, when the fund would be wound up and shares repaid at Rs. $102\frac{1}{2}$ per 84 received. From the collection loans were granted to members at $6\frac{1}{2}$ per cent interest with penalties for delay ; the loans repayable by the monthly subscriptions, were usually on mortgage and the order of granting them was determined by lot.

The next step was to make the societies "permanent" ; that is, fresh series of shares were periodically and frequently issued, and it was these only, and not the society, which were wound up as each series matured so that subscribers were continually coming in and going out. The essence of these societies is mutuality ; it is a group of men united to help one another by a common contribution of funds which are to be lent out to members only for their sole benefit ; all profits derived from the transactions are to return to members, so that all benefit : the non-borrowing members by the receipt of profits, the borrowing members by the use of the loaned capital and by a portion of the profits which they have contributed to the society.

These *Nidhis* find their clients among a more educated and advanced class than the rural agriculturists, to whose needs their constitution is not well adapted. But the fact that, notwithstanding numerous failures, and much discredit attendant upon a period of speculation they attained a con-

siderable degree of success (since in 1903 they included some 36,000 members with a paid up capital of 75 lakhs), suggested to many high officials the possibility of establishing true co-operative credit societies among the Indian people.

Before, however, any legislation was undertaken by the Government for introducing co-operative credit societies into India, Sir Anthony (now Lord) Macdonnell did the pioneering work by establishing in 1901 two hundred co-operative credit societies in the United Provinces. In the same year the Government of India, impressed with the importance and the future possibilities of the co-operative movement, appointed an influential committee to consider the question of the establishment of agricultural banks in India.

This committee consisted of Sir Edward Law as President, Sir Frederick Nicholson, Sir Bamfylde Fuller, Mr. J. Wilson, Mr. Reginald Murray and Mr. H. Dupernex. The Committee assembled at Simla on June 1st 1901 and dissolved on July 10th after holding altogether 16 meetings. The Committee confined their attention to banking on the basis of co-operative credit, because the "agricultural banks" which had been so successful in improving the condition of the poorer classes in European countries rested upon co-operative credit. In concluding that a system of co-operative credit was capable of affording great benefits to the agricultural community of this country, the Committee had had the general support of the opinions expressed in the reports received from the various Local Governments.

They accordingly accepted the establishment of Co-operative Credit Societies as the object in view, and considered the lines on which such societies should be worked, the privileges which should be accorded to them and the extent to which it might be advisable that they should be aided by Government funds and subjected to Government control. They also considered in their luminous report what practical

form or forms a society constituted on these principles should assume and drew up two model schemes of management for two classes of societies which they contemplated. Finally they discussed the extent to which legislation was required to secure to such societies as might be started the privileges which they recommended for them and to provide for their due working and supervision. They embodied the result of their deliberations in the form of a draft bill.

CHAPTER V.

THE CO-OPERATIVE CREDIT SOCIETIES ACT OF 1904.

The draft bill drawn up by the Committee presided over by Sir Edward Law was referred to the Local Governments for criticism, and it was upon a consideration of the replies that the Government of India took action by introducing—on October 23rd, 1903—the Co-operative Credit Societies Bill. Sir Denzil Ibbetson defined the precise object of these societies to be “the encouragement of individual thrift, and of mutual co-operation among the members, with a view to the utilisation of their combined credit, by the aid of their intimate knowledge of one another’s needs and capacities, and of the pressure of local public opinion.”

“The main object of our endeavours,” said Sir Denzil in his introductory speech, “is to assist agricultural credit, which presents a far more important and more difficult problem than does industrial credit. But we recognize that artisans, employees on small pay, and other persons of small means residing in towns, may very properly be admitted to the benefits of our legislation. We therefore provide for two classes of societies—*rural*, which are composed of agriculturists (a term which is not intended to include the wealthy rent-receiver), and *urban*, which consist of artisans or other persons of limited means. * * * In the case of both classes we provide that the members must be small men, for we are not legislating for capitalists; that they must be residents of the same neighbourhood, else the knowledge of one another which is to guide them in their operations will be wanting; that new members shall be admitted by election only, thus securing that mutual confidence which is the only possible foundation of co-operation; that a man must be a

member before he can borrow from the Society, and must in that capacity have contributed to the funds of the Society, since our basis is mutual co-operation ; that money shall not be lent on mortgage so that the capital may be liquid, and capable of ready realisation ; that the interest in a Society which may be held by a single member is to be limited, in order to prevent an individual from obtaining control ; and that shares can be transferred subject only to certain restrictions which are intended to prevent speculation. We provide for a simple form of registration ; for compulsory dissolution, subject to appeal to the Local Government, in order to meet the case of fraud, or of bogus co-operative societies which may have obtained the benefits of the Act while not pursuing its objects ; and for liquidation under a simple procedure, and subject to appeal to the Civil Courts.

"In the case of rural Societies we further insist upon unlimited liability, as best suited to the agricultural classes to whom they are confined and most consonant with the mutual confidence which is to form their basis ; we lay down that no profit is to be directly divided among the members, since their object is not to make money, but to assist one another, and any surplus that may accrue should either be carried to a reserve fund, or be applied to reducing the rate of interest upon loans : and we forbid the society to borrow money without sanction, for it would often be worth the while of a money-lender to risk his money in order to get a successful society into his power, and so to rid himself of a rival. We prohibit pawn-broking, since the basis of the operation should be personal and not material security ; but we allow agricultural produce to be received as security or in payment, and to be converted into money at any time by the society, which will generally be in a position to get a better price for it than an indebted cultivator could obtain.

"In the case of urban societies we allow of limited liability and the distribution of profits, subject to the creation of a sufficient reserve fund and we allow them to lend money to a rural society which is situated in the same district, and with the circumstances of which they have therefore the opportunity of being acquainted.

"Having thus provided for the constitution of our societies and regulated their operations, we proceed to confer upon them certain privileges. We exempt the shares or other interests of members in the capital of a society from attachment for their private debts, thus encouraging thrift, and giving stability to the operations of the society ; we relieve societies from the necessities for letters of administration or a succession certificate ; we give them a lien upon certain forms of property when created or acquired by means of a loan from them, until the loan is repaid ; and we make an entry in the books of a society *prima facie* evidence in a suit to recover money due to it. We take powers for the Governor-General in Council to exempt societies and their operations from income-tax, stamp duties and registration fees ; and it is our intention to act upon those powers, at any rate, in the first instance.

"Finally, we provide for compulsory inspection and audit by a Government officer, in order to provide against mismanagement and fraud, to give the members and the public confidence in the societies ; and to justify the privileges which we confer upon them, we make Government advances recoverable as arrears of land-revenue. We confer a wide rule-making power upon local governments while indicating certain heads under which it will probably be advisable to exercise it ; and we declare that the provisions of the Indian Companies' Act shall not apply to societies registered under the new law."

On the 25th of March, 1904—a red-letter day in the

annals of Indian legislation—the Co-operative Credit Societies Bill was passed “to encourage thrift, self-help and co-operation among agriculturists, artisans and persons of limited means.” By this Act Local Governments were empowered to appoint Registrars of co-operative credit societies, whose duty it would be to scrutinise applications for registration under the Act. Subject to the provision that any association of not less than ten persons might be registered by special order of a Local Government, the Act laid down that a society should consist of persons residing in the same town or village or the same group of villages or, subject to the sanction of the Registrar, of members of the same tribe, class or caste. Societies were classed as “rural” or “urban,” and it was laid down that four-fifths of the members must be, in the first case, agriculturists, and in the second, non-agriculturists. In the case of rural societies the liability of the members was to be unlimited, unless a departure from this rule were specially sanctioned by the Local Government; in the case of urban societies, liability might be either limited or unlimited, as might be provided by bye-laws or rules made under the Act. Profits, in the case of a rural society, were, in the first instance, to be carried to a reserve fund, or applied to the reduction of the rate of interest, and a bonus might be distributed only when requirements in these directions had been fully met. Urban societies were also to carry at least a quarter of the annual profits to a reserve fund; loans were to be made only to members, or, subject to the consent of the Registrar, to a rural society. Limitations were placed on the interest in a society that might be held by a single member, and on the transfer of shares. Privileges included the exemption of a member’s shares or other interests in the capital of a society from attachment for private debts, the grant to societies of a measure of priority over ordinary creditors in enforcing claims on crops, cattle &c., and the

provision for exemption, at the discretion of the Government of India, from income tax, stamp duties and registration fees. Provision was made for compulsory inspection and audit by the Registrar, for compulsory dissolution subject to appeal to the Local Government, and for liquidation under a simple procedure ; finally, wide rule-making powers were conferred upon Local Governments.

The policy of the Government underlying the above provisions had been to allow the utmost freedom to organisers in each case to start their society on such lines as appeared to them suitable, provided that the rules framed did not contravene the Act in any essential matter.

Many were the hopes and fears of the members of the Imperial Legislative Council at the time when the Bill was introduced. "Our co-operative credit society is but a frail barque launched upon a treacherous ocean," said the Hon'ble Mr. (now Sir Harvey) Adamson, "but if it can escape from being wrecked by the opposition of the money-lender, if it can avoid being stranded on the shoals of mutual distrust among its members, if it can carry safe to port a portion of its cargo of self-help and co-operation, it will some day rank as the most important bill ever passed by the Government for the betterment of the Indian agriculturists." Some doubted that its principles would not be as easily understood and acted upon as it has been done by European agriculturists. But this doubt would appear as groundless when we read Sir Frederick Nicholson's description of the condition of the European masses among whom these societies were originated.

Says Sir Frederick in his "Report on Land and Agricultural Banks"—"the masses of French, German and Italian peasants were, and to a great extent still are, ignorant, suspicious, conservative, isolated and poor, holding land in small and diffused patches, exploited by usurers, incapable of associated

effort, unable to comprehend and unwilling to adopt new methods, however useful, new improvements, however obvious. The description of the peasantry of the Rhine provinces in Germany, of the interior of France and of Italy, as given by their own as well as by foreign observers, shows that, as regards rural banking, the prospects of the masses in the countries named were little, if at all, better than those in the Madras Presidency of the present day."

CHAPTER VI.

PROGRESS OF CO-OPERATION IN INDIA SINCE 1904 : THE PASSING OF THE CO-OPERATIVE SOCIETIES ACT, 1912.

The defects of the Act of 1904 : remedied by the Act of 1912.—

Within two years of the passing of Lord Curzon's epoch-making measure of 1904, 800 societies had sprung into existence. The number steadily increased from year to year and before long the provisions of the law—which were necessarily of an experimental nature only—were found to be in some respects faulty, and in others inadequate. The need for a free supply of capital had led to the formation of various central agencies to finance and control the individual credit societies and the Act of 1904 provided for no formal recognition of joint or central societies formed of other societies. The distinction in treatment between rural and urban societies was found in practice to be unnecessary and a more scientific distinction based on the nature of the liability of members, whether limited or unlimited, was adopted in its place. There was, moreover, no provision in the old Act for any form of co-operation other than co-operative credit. To remedy these and other minor defects which experience had brought to light, a new Act was passed in 1912, which made provision for the expansion of the movement, and whose principal features were that it authorised the registration of co-operative associations for purposes other than credit, removed the former arbitrary classification of societies as urban and rural, and substituted for it a scientific distinction based on the nature of the liability adopted, and finally it legalised registration of unions, central banking unions and central banks.

The effect of the new Act of 1912.—

The immediate effect of the passing of the new Act of 1912 was to infuse a fresh energy into the movement. The number of societies in British India had by 1915 increased to 17,327, the number of members to 824,469 and the working capital to Rs. 8,96,61,722. New types of societies for the sale of produce, cattle insurance, milk supply, yarn, silk and manure purchase, and the retail of farm implements and common necessaries, had been registered and in most cases seemed to be prospering. The number of credit institutions was growing rapidly and the confidence of the public was being won in greater measure every year. In 1914 the Government held that the time had come to take stock of the position and on the 17th June of that year issued a comprehensive Resolution (reprinted as an Appendix to this book) reviewing the progress that had been made and laying down in general terms the practical lessons that might be drawn from experience up to date. But the sums involved in the movement were becoming very large, the arrangements for financial measurement in the stages above that of the individual society were becoming complicated, and the principles for the conduct of inspection and audit remained indefinite and uncertain. It was felt by Government that it could not take the responsibility of fostering and supporting further growth unless it was satisfied that the movement was proceeding on lines economically and financially sound.

The appointment of the Imperial Committee on Co-operation.—

It was to enquire into and report on this aspect of the question that a representative Committee of officials and non-officials presided over by the Hon'ble Sir Edward Maclagan was appointed by a Resolution of 8th October, 1914, and the reference made to it was expressed in the following words :

"The primary duty of the Committee will be to examine whether the movement, especially in its higher stages and in its financial aspect, is progressing on sound lines, and to suggest any measures of improvement which seem to be required. For this purpose the enquiry will be directed primarily to an examination of such matters as the constitution and working of Central and Provincial Banks, the financial connection between the various parts of the co-operative organization, the audit, inspection and management of all classes of societies, the utilization of the reserve and the manner in which reserve funds should be exhibited in the annual accounts. At the same time the Government of India do not desire rigidly to limit the scope of the enquiry and the Committee may, at its discretion, consider and make recommendations regarding any important aspect of the co-operative movement."

The Committee toured for four months visiting various centres, in the major provinces of India and examined in this period 93 witnesses, official and non-official, inspected 135 societies of various kinds, and in addition, interviewed the managers and agents of several joint stock banks. The publication of the Report of the Committee in 1915 will for a long time to come stand out as a landmark in the economic history of India, for the co-operative movement must go on, and the Committee are right when they say that "it is impossible to doubt that it will eventually attain dimensions compared to which its present size will appear negligible."

The Report of the Committee.—

The Report is confined mainly to a consideration of agricultural credit societies : though these constitute by far the greater bulk of co-operative institutions in this country, yet it must not be forgotten that there are other forms of them as well. Co-operative institutions in this country can be broad-

ly classified into Primary Societies, Central Banks and Provincial Banks. Primary Societies may be either credit or non-credit societies, and each of these classes can be further sub-divided into agricultural and non-agricultural, according as the institutions have as members a body of persons, a majority of whom are agriculturists or non-agriculturists. Thus we see that there are four broad classes of Primary Co-operative Societies in India :—

- (1) Agricultural Credit Co-operative Societies.
- (2) Non-Agricultural Credit Co-operative Societies.
- (3) Agricultural Non-Credit Co-operative Societies.
- (4) Non-Agricultural Non-Credit Co-operative Societies.

Progress of co-operation in India.—

The total number of all these classes of co-operative societies in India had by 1915 increased to 17,327, the number of members to 824,469 and the working capital to Rs. 8,96,61,722. The fact cannot be denied that the progress of the credit co-operative movement in India has been very rapid. Indeed, so rapid has been the progress that Sir Robert Carlyle apprehended that the chief danger to the co-operative movement was that "we might be tempted to go too fast and outgrow our strength." He pointed out that one good society did more good for the co-operative cause than twelve indifferent ones, as one society well run on sound co-operative lines did good not only to its own members, but also outside throughout the neighbourhood in which it was working. But according to Sir Edward Maclagan "the progress made has been of a healthy and definite character"; and Mr. Fremantle thinks that "this rate of increase is likely to be maintained for some time, since the institution of new centres of organisation and control is rapidly spreading the knowledge of the system over wider and wider areas and facilitating the formation of new co-operative societies". This

rate of increase ought to be cautiously but vigorously maintained, for, in spite of the most gratifying progress of credit co-operation in India, it cannot be said as yet to have done more than touch the fringe of the problem it is intended to solve. Speaking only for the Bengal Presidency, there are in it no less than 119,851 towns and villages of which 119,608 are merely village units with populations ranging from below 500 to 5,000. The chief occupation of the people in them is agriculture, and every one of them, it may be safely assumed, will be the better for a credit society in it. But at present we have about two thousand societies in the whole presidency serving presumably an equal number of villages. This shows what a vast field still remains to be covered in the direction of credit co-operation alone.

The one-sided development of co-operation in India —

The progress of the movement so far shows only a one-sided development. Agricultural credit co-operative societies overwhelmingly outnumber agricultural non-credit societies : of the 17,327 co-operative societies 15,861 are agricultural credit societies and the few remaining ones belong to forms of co-operation other than agricultural credit. This is, however, not to be wondered at. For, as the Maclagan Committee report, "the chief object of co-operation in India was to deal with the stagnation of the poorer classes, and more specially of the agriculturists who constitute the 'bulk of the population'. It is well-known that the chief object held in view from the beginning has been to provide reasonable credit for small agriculturists, who represent the backbone of the Indian polity. "The problem of agricultural credit," runs the Government of India Resolution of 1914, "has been looked on as more urgent than that of industrial credit, and the efforts of Government have been mainly devoted to the relief of the small agriculturist". We believe the Government acted

rightly in doing so, for it has been a universal experience that the development of credit co-operation normally and naturally leads to the development of other forms of co-operation. It is our belief that great developments may be expected in industrial co-operation and in the application of co-operative principles to many branches of agricultural organisation, and it is not impossible that these developments may in time surpass even rural credit institutions in importance. But these other forms of co-operation are as yet for the most part in their early infancy and they occupy a comparatively small portion of the ground at present covered by co-operative effort in this country. We should therefore like first of all to describe briefly the development of primary agricultural credit societies in India.

CHAPTER VII.

AGRICULTURAL CREDIT CO-OPERATIVE SOCIETIES.

The primary agricultural credit co-operative society is formed in its first stage by a number of individuals not less than ten, who, because they are unable individually to obtain easily and adequately the credit which is necessary for their small agricultural operations, combine together to get this necessary credit on reasonable conditions. To effect this each becomes liable for the debts of the society to the extent of the whole of his assets. These primary credit co-operative societies form by far the largest part of such institutions in India—for they number 15,861 in all. But this number is not large when it is remembered that these 15,861 societies finance 220 millions of agriculturists. It is however gratifying to find that there is a continuously growing demand for such societies in all parts of India where as yet there is only one agricultural credit society for every 14,000 of the population engaged in agriculture. At the same time, it must be admitted that, except for special reasons, an increase in the number of societies should radiate from existing centres of co-operation and should be based on a well-informed desire to imitate existing good societies. The Maclagan Committee rightly make the Registrars primarily responsible for seeing that societies are organised on sound lines ; and, in the matter of organisation the point on which they deservedly lay the greatest stress is that the members of societies should have thoroughly assimilated the principles of co-operation. The Committee further assert that they cannot too strongly urge the necessity for a careful teaching of co-operative principles both before and after registration. Long before the publica-

tion of the Maclagan Committee's report H. E. Lord Carmichael in his address to the Seventh Bengal Provincial Co-operative Conference pointedly referred to the importance of the teaching of co-operative principles. "It is through these societies", he said, "that we can teach the cultivators who form them how to manage their own affairs. We must not try to keep them in leading strings ; we must aim at making them business-like and at developing, specially in the office-bearers, a sense of responsibility. To do this those who work for the movement ought to have a real sympathy with the village people and a thorough knowledge of their habits and their limitations. *They must lose no opportunity of impressing on the members of the societies the principles of co-operation. Those principles are of greater importance than even the most scrupulous attention to routine-details of book-keeping.*" Those wise words were immediately afterwards given practical effect to by the Registrar of Co-operative Societies, Bengal, who instructed his inspectors not to include any society under the "A" class if the general body of members did not understand co-operative principles although it might satisfy the other tests laid down for "A" class societies. So far as Bengal is concerned therefore we may rest assured that a sound knowledge of co-operative principles on the part of the members is considered to be the *sine qua non* for the continued existence of societies. In this connection it is interesting to read in the last Bengal annual report that co-operative societies are everywhere encouraging a demand for education. "The members realise the limitations which illiteracy imposes on them, and even in the work of a simple institution like the credit society, they find themselves handicapped by their illiteracy, and they are anxious to give their children a better start in life. In many places the establishment of societies has been followed by the opening of village schools. Contributions by societies to village schools are

increasing every year." This is very encouraging indeed. What is wanted is that all the members of a society should be thoroughly imbued with the true co-operative spirit. "Speaking generally", complain the Maclagan Committee, "even allowing for the backwardness of the population, there has been found a lack of true co-operation." This is surely a matter of regret and it is to be hoped that henceforth all organisers should steadily keep before them the true co-operative ideal of developing not only the material but also the moral welfare of the members in a spirit of mutual help and co-operation.

Ths modified Raiffeisen system in India.—

Primary rural co-operative credit societies lie in the forefront of all agricultural credit institutions of the country. They are essentially based on the Raiffeisen model: but certain important modifications have been found necessary.

Raiffeisen societies proper grant loans for productive purposes only. To insist on this restriction in a country like India where ceremonial expenditure is a virtual necessity is to drive the budding co-operator back into the clutches of the money-lender. Therefore, while ensuring that, the capacity for credit of each member is discussed and decided by the society assembled in general meeting, the managing committee may be left with a limited discretion to grant loans for any necessary purpose whatever. Again Raiffeisen Societies insist on sureties. Quite apart from the fact that we want to facilitate the transaction of business and to bring real banking conveniences to the small man the provision of sureties by a duly elected member of a society of sureties can, as experience has proved, be dispensed with. There is also the important consideration that a signature is an accommodation which can be purchased; and we are trying to screw up the money-lender's door. Hence here in India loans may be given "on honour" merely. Loans so granted are amongst

the most common features of Indian rural finance. In Raiffeisen Societies the richer members are allowed the right of being in a majority on the committees and councils of supervision. This would be fatal to the success of democratic societies in India : for caste prejudice is sometimes productive of unfair treatment of individuals.

The important features of the modified Raiffeisen society in India, therefore, are :—

- (i) small areas ;
- (ii) the enrolment, by careful mutual selection, of a certain number of members of known honesty and industry ;
- (iii) the individual and collective *unlimited* liability of these persons for the necessary working capital ;
- (iv) small entrance fees ;
- (v) no shares ;
- (vi) no dividends ;
- (vii) all profits devoted to building up a reserve fund or (eventually), with the sanction of the Registrar, to works of public utility ;
- (viii) the gratuitous service of all office-bearers.

The Ten Main Points of Co-operation.—

To ensure the successful working of a rural credit society, it is necessary for the members to have a thorough grasp of the following essential points :—

1. The object of co-operation is to encourage people to lay by savings, to grant loans at reasonable rates of interest, and to get rid of debt.
2. Members must know each other thoroughly and should admit nobody who is a bad character or is unacquainted with the rest.
3. All members are jointly and unlimitedly liable for all sums borrowed by the society either from depositors or from

outside sources. They are therefore all interested in seeing that loans are granted prudently and that no member is allowed to default.

4. It is the business of the managing committee to raise capital, to sanction loans to members, to watch over their recovery and to see that accounts are properly kept.

5. All loans must be used only for the purposes for which they are advanced. They may be granted for one year for current agricultural expenses, for two or three years for the purchase of cattle or implements or for domestic expenses, and for five years for the payment of old debt or for land improvement.

6. All repayments must be made on the date fixed by the managing committee, and in cash, not by book-adjustment.

7. The duties of the general meeting of the society are to appoint a managing committee and a secretary annually, to consider the balance-sheet and the audit notes, to ask the committee questions about its work and to pass orders on any faults that come to light.

8. All profits are carried to the reserve fund, the object of which is to improve the credit of the society as a whole and to protect members from the enforcement of unlimited liability. It is the property of all the members jointly.

9. Capital is obtained either as deposits from members or other persons in the neighbourhood, or from some Central Bank. The Central Bank is controlled by its shareholders, and if societies buy shares in it, they will have a voice in its control.

10. It should always be remembered that, though the Registrar audits and warns, the members are themselves responsible for the working of their societies. Government is not going to manage the societies for them. If they want them to succeed, they must see to things themselves.

Hints on the organization and management of Agricultural Credit Co-operative Societies.—

1. *Importance of sound organization.* The success of a society depends very largely on the way in which it is started. The work of organization should, as a rule, be left to the Honorary Organizer who should feel himself to some extent responsible for the wellbeing of all societies formed under his advice. It is he that for the first year will have to train the committee and secretary in disposing of their work in a business-like way, and, more important still, it is he that will be responsible for seeing that the Ten Main Points noted above have been thoroughly driven home.

2. *Area.* The area should not, as a rule, exceed that of a single village. "It is a good general rule that there should be one society to one vilage and one village to one society." The object of this provision is to enable members to be thoroughly well acquainted with each other and to exercise an effective mutual control.

3. *Size of societies.* For the same reason the size of the society should be subject to a limit. The MacLagan committee lay stress on the importance of small beginnings. "The members of a society," they say, "should be few to start with, and increases should be gradual and the ultimate total moderate. The main advantage claimed for large societies is economy of management, but this consideration scarcely affects rural societies. On the other hand small societies are more easily supervised and trained in co-operative principles, just as small classes are more easily taught in schools. If a society is small, it affords a better opening for local talent. It brings more men to the front, trains them to undertake responsibilities, and by carrying on a business not exceeding the capacity of the committee, prevents the domination of one men. Societies should, in our opinion, be small at the commencement, not only when the members are poor and backward, but in all

cases. When a sound beginning has once been made gradual increases should be allowed, care being taken that the men of best character are admitted first and that subsequent admission is treated as a favour to be earned by the candidate rather than as a benefit conferred by him on the society.¹ The average size of a rural credit society in Germany is about 94 members. In India the average membership of an agricultural society is 41. We have some hesitation in suggesting a definite numerical maximum, but as a rule we think that a society is apt to become unmanageable if its numbers exceed a total that might vary from 50 to 100.² Many societies have lost their unity and become inefficient from the fact that they have allowed their membership to become unwieldy.

4. *Homogeneity.* Occupation should be noted, because too great a diversity is not desirable. All the members of a village community are of course eligible for a village society ; but a mixture of membership does not ordinarily work well owing to lack of common interests. While any attempt to effect a mixture of occupations is to be deprecated "there is much to be gained if the societies affiliated to one Central Bank are as far as possible representative of different types of occupation."

5. *Co-operative knowledge.* If the members are really going to co-operate, they must first thoroughly understand what "co-operation" means. The ten cardinal doctrines underlying the co-operative idea are summed up in the "Ten Main Points" detailed above. These simple principles should be continually drummed into the heads of members, and the application should not be sent up for registration until the Organizer is satisfied that as a minimum these Ten Points have been grasped and fully assimilated by them.

6. *Local deposits.* No society is worth organising, unless the members think it worth making some sacrifice to obtain

it. A good index of their sincerity is their readiness to contribute deposits which should be fixed for at least three years. They may either bind themselves to deposit so much monthly, quarterly, or yearly, and actually make such deposits for six months or a year before coming up for registration as a guarantee of their good faith, or, if they belong to a class that has any savings of its own, they may pay down their deposits in a single instalment at the time of starting work. As a minimum these deposits should not be less than one-tenth of the estimated needs of the society during its first year. Care should be taken to see that they are not merely nominal deposits, borrowed from a money-leader for the purpose.

7. *Supervision.* Where there is a union, or local Central Bank, performing supervisory duties over the area in which the proposed society is situated, the society will not be registered unless it accepts affiliation with such union or Central Bank as a condition of registration. It is no longer possible for the Registrars to give sufficient attention to scattered independent societies.

8. *Selection of members.* The importance of a careful selection of original members cannot be over-estimated. It is they who choose future members and set the standard of the society. Character is the basis of every thing. Though education, position, and so forth, are valuable in members, they are worth little in comparison with an industrious and straightforward type of character. The Honorary Organizer should always make a point of exercising his judgment on this point and excluding doubtful characters.

9. *Management.* The accounts cannot be maintained without an educated secretary, who should be a local man, preferably the village school master, and not an outsider. The Chairman and at least one member of the committee should also be able to read and write in order to keep

an effective control on the secretary. The main point, however, is to ensure that the committee should work as a committee *i. e.*, that it should do its work regularly and as a whole and not hand over its responsibilities to one or two active men.

10. *Needs of society.* It is difficult to estimate the amount of capital which the society will require, but an attempt should be made to forecast its needs roughly during its first year. As a rule, except in urgent cases, old debts cannot be cleared off until the society has been working for a year or two. It is best at first to restrict members' demands to their bare requirements for the current expenses of agriculture and industries with a small margin for unexpected calls.

11. *Indebtedness.* It is most important to make sure that the financial position of members is not so embarrassed as to make their extrication hopeless. For this purpose a brief statement of their assets and liabilities is required. Movable as well as immovable property may be included but great care should be taken not to over-estimate its value. The society is intended neither for the capitalist nor for the hopelessly involved but for the very large class which, though it has some credit, has to pay exorbitant interest on its loans. Wherever possible it should be made a condition of membership and resolved in a general meeting that no member should borrow any loan after admission except with the permission or at any rate the knowledge of the managing committee.

12. *The form of liability to be chosen.* "With a few isolated exceptions all the primary agricultural credit societies in India are societies with unlimited liability. The law does not specify definitely the character of the liability, nor have we any data before us to show the interpretation put upon it by the Courts. No difficulties have hitherto arisen in connection with the enforcement of this liability, but should it hereafter be found necessary to define it more clearly we

should suggest that it should take the form of "contributory unlimited liability" that is to say that, where there is a deficit in the engagements of a society to its creditors, this deficit should, after the full payment of shares (if any,) be recoverable by a series of per capita levies upon the members up to the full extent of their property, direct proceedings by a creditor against individual members being forbidden. Hitherto it has been generally understood that the unlimited liability of a society is intended to imply the liability of the whole of the property of the members of a society for the debts due by the society. Some of the less well-informed members are under the impression that it entails the liability of the whole of the property of each member of a society for the debts due by the other members to the society, but the practical difference between the two aspects of the liability is perhaps less than might at first sight appear, and in any case the members of societies when they think of the liability at all appear ordinarily to think of it merely as unlimited and to accept it willingly as such. We have not found that the adoption of this form of liability, where the safeguards against loss are properly understood, has any effect in keeping out the richer peasants, nor have we met with any demand for the substitution of a limited responsibility. The unlimited liability is not understood to involve any obligation against the alienation of property by members, and although the material basis for the liability is thus rendered somewhat fluctuating and indefinite, we do not consider that an arrangement which would in effect impose a definite charge on all their existing property would be either practicable or desirable. The unlimited form of liability as it now stands has, contrary to the anticipations of many, been unreservedly accepted by the people, and we have evidence before us to show that it constitutes an important factor in the confidence reposed on societies both by the central institu-

tions inside the movement, and by the Joint Stock Banks outside it. We see every reason therefore for adhering to the principle that agricultural credit societies should be societies of unlimited liability, whether they are with or without shares. In either case the ultimate liability of all the members is in the last resort unlimited, and the advantage of share capital is that, if in case of liquidation the share capital is sufficient to meet any deficit that may be found to exist, there is no need of any further levy to meet the liabilities of the society." (*MacLagan Committee's Report.*)

13. *Registration.* For purposes of registration an application has to be made to the Registrar of Co-operative Societies of the Province. This application must be duly signed by at least ten persons above the age of 18 years who (a) reside in the same town or village or in the same group of villages; or (b) save where the Registrar otherwise directs, are members of the same tribe, clan, caste, or occupation. This application so duly signed is to be accompanied by a copy of the proposed by-laws of the society : it is usually found convenient to adopt, with slight modification, to suit local conditions, the model by-laws issued from the Registrar's office. If, then, the Registrar is satisfied that a society has complied with the provisions of Act II of 1912 and the rules made thereunder and that its proposed by-laws are not contrary to the Act or to the rules, he may, if he thinks fit, register the society and its by-laws. A certificate of registration signed by the Registrar is conclusive evidence that the society therein mentioned is duly registered, unless it can be proved that the registration of the society has been cancelled.

14. *Conclusion.* These are the main general principles that should underlie every new organization. While the movement was still in its infancy, societies were registered haphazard and experiments were made wherever an opening seemed to occur. A stage has now been reached when this

96 THE CO-OPERATIVE MOVEMENT IN INDIA.

policy must be abandoned. It is no longer permissible to press societies on a hesitating peasantry. As the working of the existing societies is improved, they should be left to recommend themselves to their neighbours. New societies should come into existence in response to a genuinely spontaneous local demand, arising from a desire to share the benefits enjoyed by members in neighbouring societies.

BY-LAWS OF THE PRIMARY AGRICULTURAL CREDIT CO-OPERATIVE SOCIETY WITH UNLIMITED LIABILITY.*

Name of Society.—1. The Society shall be called _____

It is registered under the Co-operative Societies Act (II of 1912).

Registered Address—2. The registered address of the Society is at _____ post office _____ (thana)
subdivision _____, district _____

Object.—3. The object of the Society is to improve the condition of its members by means of co-operation and by encouraging thrift and self-help, and with this end in view— •

(1) to raise funds at a reasonable rate of interest by making use of the combined credit of the members in order to grant loans to members for necessary purposes ;

(2) to accept deposits in order to stimulate the habit of saving.

Membership—4. Every member of the Society must be—

(1) ordinarily resident within _____ ;

(2) of good character ;

(3) of not less than eighteen years of age, except in the case of a minor heir of a deceased member ;

(4) not already a member of any Society, the liability of which is unlimited.

5. Every member shall pay an entrance fee of _____ and shall sign his name or put his thumb-mark in a Register of Members to be kept by the Society in token of his acceptance of these by-laws. Entrance fees shall not be refunded to members.

6. The members of the Society shall consist of—

(a) those persons who have subscribed to the application for registration and to these by-laws ;

[* Issued from the Office of the Registrar of Co-operative Societies, Bengal.]

(b) such persons as shall hereafter become members of the Society by election according to these by-laws.

7. The number of members of the Society shall not at any time exceed 50 without the written sanction of the Registrar.

Election of Members.—8. Every person desirous of becoming a member shall apply to the Committee of Management, which, after careful consideration, may elect him as a member or refuse his application. Two adverse votes shall be sufficient to exclude the applicant. Any candidate who has been refused admission shall have the right of appeal to the next General Meeting of the members and if three-fourths of the members are in favour of the admission he shall be admitted. As soon as a member has been elected, he shall sign the Register of Members and pay the entrance fee.

9. The widow, legal heir or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

Cessation of Membership.—10. Membership shall cease by (a) withdrawal (b) permanent removal of residence beyond the prescribed limits, (c) expulsion, (d) bankruptcy, (e) by becoming insane and (f) death.

Any member can at any time after three years of his first becoming a member withdraw from the Society after giving notice to the Committee, provided that he is not liable for any sum as a borrower or surety and that he has no other dues to the Society.

A member who permanently removes his residence from the area prescribed in by-law No. 4 shall ordinarily cease to be a member, provided he has satisfied all claims in respect of any loan made to him or on his guarantee. But the Committee may for special reasons permit him to remain a member. If a member, after having permanently removed his residence continues to be a member, he shall lose his right to serve in the Committee and to take loans.

11. The termination of membership by removal, expulsion or otherwise shall not affect the liability of the member in respect of any loan made to him or on his guarantee.

Suspension and Expulsion of Members—12. The Committee of Management may fine, suspend or expel a member—

- (1) for any breach of the by-laws and conduct detrimental to the interests of the society ;
- (2) for wilful default in payment of his dues ;
- (3) for being convicted of any criminal offence, which, in the opinion of the Committee, is of a serious nature ;

(4) if he wilfully deceives the Society by false statements.

13. All cases of expulsion shall be referred for confirmation to a General Meeting, which must be called within two weeks of the verdict, and if the decision of the Committee is not confirmed by three-fourths of the members present, the order of expulsion passed by the Committee shall be cancelled. All cases of fine and suspension shall be reviewed by the next General Meeting of the members, which may either confirm, modify or cancel the Committee's decision.

Funds of the Society and its Borrowing Power.—14. To carry on the work of the Society the Committee of Management may, on behalf of the Society, raise funds in the shape of loans, deposits or otherwise. The maximum borrowing power of the Society shall be determined annually at the General Meeting of the members, and it may be revised at any subsequent General Meeting of the members, but it shall not exceed the limit, if any, which the Registrar may from time to time lay down.

Liability of Members.—15. The liability of the Society shall be unlimited, *i.e.*, every member shall be equally, with every other member, jointly and severally liable for the debts of the Society.

16. The liability of a past member for the debts of the Society, as they existed at the time when he ceased to be a member, shall continue for a period of two years from the date of his ceasing to be a member.

17. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the Society as they existed at the time of his decease.

Representation.—18. All documents creating a charge or obligation on the Society shall be signed by at least three members of the Committee of Management, including the Chairman or Secretary, provided that in case of receipts for deposits and repayments of loans the Chairman or any office-bearer duly authorised by the Committee of Management may sign.

General Meeting.—19. The supreme authority of the Society shall be vested in the General Meeting. The General Meeting shall exercise a general supervision over the business of the Society especially over the acts of the Committee of Management and shall do all things which the interests of the Society demand.

20. The General Meeting of the Society shall be called as often as may be necessary. At least one General Meeting shall be called every year in a month to be fixed by the Registrar by any general or special order. This meeting shall be called the Annual General Meeting. Special General Meetings will be held whenever the Committee of

Management think fit and shall be convened on a requisition by one-fifth of the members or of the Registrar or any person authorised by the Registrar by general or special order to hold General Meetings.

21. At least a week's notice of the General Meeting shall always be given. The notice shall specify the date, hour and place fixed for holding the Meeting. When General Meetings are held on the requisition of the Registrar or any person authorised by him by general or special order, it will not be necessary to give a week's notice, and it may be held at such time as may be decided by the Registrar or the person authorised by him to hold the General Meeting.

22. The Chairman of the meeting shall be elected by the members. One-fifth of the number of members shall constitute a quorum, but if the total number of members be less than 40, the number required for a quorum shall be eight. Each member shall have one vote and only members present can vote. On any question the opinion of the majority shall prevail. In case of an equality of votes the Chairman shall be entitled to a second or casting vote. The proceedings of the General Meeting shall be recorded in a minute book to be kept for the purpose and shall be signed by the Chairman of the meeting and the Secretary.

23. At every Annual General Meeting the Chairman shall read out from the by-laws the duties of the Annual General Meeting before its business commences.

24. The members shall, in the Annual General Meeting—

- (1) review the work of the Society during the last year ;
- (2) elect the Chairman and members of the Committee of Management.
- (3) decide the maximum amount of liability to be incurred during the years ;
- (4) fix the rate of interest to be paid on deposits ;
- (5) decide the maximum amount up to which an individual member may remain indebted to the Society ;
- (6) hear all complaints against the Committee of Management and office-bearers ;
- (7) receive a report of the number of loans and their amount made to members of the Committee of Management during the past year ;
- (8) fix the date and place at which the monthly meetings of the Committee of Management shall take place ; "

- (9) sanction the grant of a remuneration to the writer of books and to appoint paid officers subject to such general or special order as the Registrar may from time to time, lay down ; .
 (10) transact any other business that may be considered necessary.

25. A Special General Meeting may deal with all or any of the above business and shall specially deal with matters for which it has been summoned and which may be placed before it.

Committee of Management (Panchayats).—26. Subject to the directions of the General Meeting and to the provisions of these by-laws the Committee of Management shall manage the affairs of the Society and exercise all the powers of the Society. The Committee shall consist of not less than five members, and not more than nine members, who shall be elected annually at the General Meeting. One of the members of the Committee shall be the Chairman and another the Secretary. The Chairman shall be elected by the General Meeting and the Secretary shall be elected by the Committee.

27. The Committee shall meet as often as it considers necessary, but it shall at least meet once a month on a fixed date and at a fixed place. The proceedings of the meetings shall be recorded in the minute book and shall be signed by the members present. If the number of members of the Committee exceeds six, four members shall constitute a quorum, but in other cases the presence of three members will be sufficient for the conduct of business.

28. The duties of the Committee shall be—

- (1) to deal with applications of membership ;
- (2) to raise money in the shape of loans, deposits or otherwise ;
- (3) to deal with applications for loans and to decide whether loans shall be granted, and, if so, for what period and on what security ;
- (4) to see that loans are applied to the purposes for which they were granted and to recall all loans which have not been so applied ;
- (5) to receive and disburse money as may be required ;
- (6) to prepare periodically (1) a receipt and disbursement statement, (2) a balance sheet, (3) a profit and loss statement ;
- (7) to check the security for each loan outstanding ;
- (8) to collect as they fall due loans with interest, and to take necessary steps to recover all arrears and to consider applications for extension of time ;
- (9) to verify the cash balance with the Treasurer at every monthly meeting.

29. The funds of the society shall ordinarily be kept in the custody of the Chairman, but it shall be open to the General Meeting or to the Committee of Management to appoint a separate Treasurer from amongst the members of the Committee. The Secretary shall not be entrusted with the custody of funds. The Secretary shall be responsible to the Committee of management for the books of the Society.

30. The members of the Committee of Management shall be responsible for the good management of the Society. They shall be liable to the Society for any wilful neglect of their duties and for all moneys expended contrary to the rules and the by-laws of the Society. The members of the Committee of Management may be removed by the General Meeting for mismanagement or misconduct.

31. No Chairman or Secretary shall hold office for more than three years in succession without the previous permission of the Registrar, or shall be eligible for re-election within two years of such period without such sanction.

32. No member of the Committee shall receive any remuneration for any work done by him for the Society, except the writer of the books.

33. If a member of the Committee dies or resigns or fails to attend three Committee meetings consecutively, the other members of the Committee may appoint a new man to take his place till the next General Meeting.

Loans to Members.—34. All applications for loans shall be disposed of by the Committee. Loans shall be made only to members.

35. The rate of interest on loans granted by the Society shall for the time being be per cent. The rate may, at the time, or, from time to time, be altered by the general meeting with the sanction of the Registrar. Compound interest shall not be charged,

36. Loans shall be granted for any necessary purposes. Any person desiring a loan shall state definitely the object for which the loan is required. Every loan shall be expended only on the object for which it was given, and a borrower shall be bound to give satisfactory proof to the Society's office-bearers, when called upon to do so, regarding the employment of the loan. If a loan is misapplied the Committee of Management shall have power to require immediate repayment in full with interest, and in addition to impose a fine of one anna for each rupee of the loan.

37. Every applicant for a loan for productive purposes must present one surety if the amount be not more than Rs. 50, and two sureties for larger sums. For non-productive purposes an additional surety must be presented in each case. In addition to the above sureties the Committee

of Management may take mortgages of immovable property, by way of collateral security, whenever it considers it necessary.

If the Society has not sufficient funds for giving out all the loans approved by the Committee, preference shall be given to the applicants who have not recently received loans to those who have and to applicants for small loans to applicants for larger amounts.

38. The Committee of Management shall fix the date and instalment, if any, of repayment at the time the loan is granted with reference to the purpose to which the loan is to be applied and the crops grown by the borrower and his other sources of income. In the case of loans granted for annually-recurring agricultural purposes full repayment should be made within a year. The Committee of Management may grant an extension of time in exceptional circumstances to be notified to the Committee before the repayment or instalment falls due.

39. If a borrower fails to pay interest or any instalment of principal, and the Committee of Management does not grant an extension of time, the whole loan shall become immediately due and payable, irrespective of any conditions on which the loan was made, together with additional interest.

40. In case of default additional interest by way of damage shall be realized on all overdue amounts from the date of default up to the date of payment at the same rate at which the loan is held. The Committee of Management shall have power to remit the whole or part of the additional interest according to its discretion.

41. If any property is purchased by the borrower or released from mortgage with money advanced by the Society, the purchaser shall not sell, mortgage or transfer it until the debt to the Society has been paid, except with the consent of the Committee of Management, or in order to satisfy his debt to the Society.

42. Any sum outstanding against a member who dies, withdraws or is expelled, or otherwise ceases to be a member, shall be immediately payable, irrespective of any conditions on which the loan was made.

43. If the Committee of Management finds that the security for an outstanding loan has become insufficient, it shall call on the borrower to provide satisfactory security, and in default shall call in the loan at once.

44. Notwithstanding anything contained above, the Society reserves to itself the right of calling in any outstanding loans on four week's notice, but this power shall not be exercised, save when there is a general run upon the Society by its creditors, or when the borrowers of the Society or their sureties are in such a position that the funds of the Society are endangered or in other exceptional circumstances.

Borrowings of Members from outside.—45. If a member after joining the Society takes loans from sources outside the Society, he shall on every occasion inform the Committee of the amount he has borrowed, the name of the person from whom he has borrowed and the purpose of the loan. If he fails to do so, he shall be liable to expulsion.

Deposits.—46. Subject to any rules made by the General Meeting, the Committee shall decide the terms on which deposits shall be accepted from members and non-members and the rates of interest on different kinds of deposits.

Special business which can be undertaken by the Society.—47. The General Meeting may at any time with the sanction of the Registrar open a grain annexe for creating a store of grain for being lent out to members and may, from time to time, draw up rules for the conduct of business of the grain annexe with the approval of the Registrar.

48. The Society may, with the sanction of the Registrar, do all or any of the following business :—

- (1) Collect the orders of members for the purchase of agricultural requisites and make purchases at the risk of the members on the basis of the orders given by the members for being made over to the members and may charge a commission on such transactions.
- (2) Purchase or otherwise procure agricultural implements or any machine connected with any agricultural industry for letting on hire and for sale to members.
- (3) Collect the agricultural products or other kinds of produce of the members for sale in common on behalf of the members and at their risk and may charge commission on such transactions.

The Society may, from time to time, draw up rules with the approval of the Registrar in respect of any of the above matters.

Disputes.—49. All disputes which the Committee of Management cannot decide shall be referred to the Registrar, who may either decide the matter himself or appoint an arbitrator or arbitrators. The decision of the Registrar or arbitrators shall be final.

Books and Accounts.—50. The account-books and the minute-book shall be open to the inspection of members at all reasonable hours and it shall be the duty of the Secretary to produce such books and accounts for inspection, if called upon.

Reserve Fund and Profits.—51. The Society shall maintain a reserve fund from the profits earned by it. Entrance fees, fines and

all profits after deduction of working expenses and any expenditure which is a lawful charge on the Society shall be credited to this fund.

But, with the sanction of the Registrar, the General Meeting may contribute an amount not exceeding $7\frac{1}{2}$ per cent. of the net profits to any charitable purpose, such as maintenance of school, village sanitation, etc.

The Reserve Fund shall be invested in such manner as the Registrar may, from time to time, prescribe.

52. The reserve fund shall belong to the Society as a whole, and shall be indivisible amongst the members. If the Society ceases to exist, the reserve fund shall be disposed of for the common good according to the wishes of the majority of the members, subject to the approval of the Registrar.

53. The Reserve fund, which is intended to be a source of strength to the Society, may, with the sanction of the Registrar, be available for any of the following purposes :—

- (1) To cover any losses arising from unforeseen circumstances.
- (2) To meet any liability when the Society has not got a sufficient cash balance, such payments being reimbursed to the fund as soon as collections are made.
- (3) To serve as security for any loans which the Society has to contract.

Winding up. 54. The Society shall be wound up whenever three-fourths of the members wish it, provided that the Registrar approves.

General.—55. Any of these by-laws may be altered or rescinded, new by-laws may be made at a General Meeting held in accordance with the rules made by Government in this behalf, and such amendment will come into force after it has been approved and registered by the Registrar.

56. The Society shall keep a copy of the Co-operative Societies Act (11 of 1912), of the rules made by Government under the Act and a copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

57. These by-laws are subject to the provisions of the Act and the rules made by Government under the Act and all matters not specially provided for in the Act, the Government rules under the Act or the by-laws shall be decided in such manner as the Registrar may direct.

The above are the by-laws referred to in our application for registration dated.....

Signatures of Applicants.

CHAPTER VIII.

CO-OPERATIVE GRAIN BANKS, OR DHARMAGOLAS.

Need and objects of Dharmagolas.—

Owing to the poverty of the great mass of agriculturists, it often happens that they have to sell their grain immediately after the harvest when prices are at their lowest, in order to pay rent, mahajan's debts, or land revenue assessment, and that they are unable to keep in hand enough corn to maintain their families until the next year. Prices almost always begin to rise some three or four months after the harvest has been reaped, but the profit falls into the hands of the dealers and not of the agriculturists. The poorest classes generally exhaust their stock of grain by the end of May and have to subsist until the next harvest on grain advanced to them at high prices and heavy interest by their mahajans. If the agriculturists had been able to hold up their produce for 3 months, they could have sold it at much better prices. They would, therefore, have had to sell less and could have kept in hand a stock enough to carry them over to the next year without an appeal to the sowkars. The objects of grain banks are, firstly, to enable agriculturists to tide over the period of low prices and to sell their harvest at a good profit ; secondly, to create a store of paddy to be lent out to members only for seed grain, maintenance, and for repayment of paddy debts at higher interest and thirdly to create a reserve stock for any unforeseen emergencies, such as 'famine and scarcity.'

The Working of a Dharmagola.—

A society must be started at harvest time. Every member has to pay an entrance fee either in cash or in kind. The supreme authority of the society is vested in the general meeting of all the members of the Society : subject, however, to the direction of the general meeting, the management of the affairs of the Society is vested in a Committee of Management which, in its turn, elects one of its members as Secretary and Goladar. The duties of the Secretary and Goladar are—

- (1) To keep the accounts and place them before the Committee at each meeting ;
- (2) To disburse and receive grain as ordered by the Committee ; no grain will be disbursed without an order from the Committee ;
- (3) To keep one key of the *Gola* ; the duplicate to be kept with one of the Committee.

To carry on the work of the Society, the Committee of Management raises paddy by way of contributions or donations, and may also, on behalf of the Society, borrow paddy and accept deposits of grain. The Committee of Management, in special circumstances, borrows money with a view to its conversion into paddy. Every member is bound to contribute paddy to the stock of the Dharmagola, if the general meeting decides to levy contributions in the interests of the association. The general meeting usually fixes a rate at which such contributions are levied. It is also expected that every member should make voluntary contributions in cash or paddy on special domestic occasions, such as *sradha*, marriage, birth of a child, etc. When cash is contributed, it should either be added to entrance fees or converted into paddy.

Dharmagolas in Bengal.—

The first experimental Dharmagola was started in 1892 by Rai Párbari Shankar Choudhury at Joyganj in the district of Dinájpur in Bengal. His idea was to establish a Dharmagola by means of rateable contributions, from the tenants, of ten seers of paddy, or its equivalent in cash, per bigha of cultivated land, to start with. A year of bumper crops was wisely chosen for the initiation of the experiment. The principal members of the village fell in readily with the idea ; a punchayet was nominated ; lists of voluntary contributors were drawn up ; and ultimately eighty maunds of paddy worth Rs. 105 were either collected or purchased with cash collected for the purpose and stored in a granary erected by the promoter at his own expense. At the time of the inception of the Joyganj Dharmagola it was not strictly *co-operative* ; for it was based on a different principle altogether. Its fund originally consisted of voluntary contributions in kind by way of gift by the residents of the village or a group of villages to which its operations extended and with this as a nucleus it began its work by lending grain to any resident of the village or a group of villages included within its jurisdiction on a reasonable rate of interest. Year after year the fund thus continued to receive accretions in the shape of interest, and its operations grew with the growth of its capital. Even with this loose constitution the institution worked successfully as an unregistered co-operative society till December 1914, when, in order to ensure better working, control and management, it was registered at the instance of the organizer under the new Co-operative Societies Act with its wider scope of registration.

The balance-sheet of the *Dharmagola*, as it stood in March, 1915 will explain how a tiny indigenous concern commencing its work with only 80 maunds of paddy about 21 years ago has attained the position of a useful and

beneficial institution for administering relief to the needy cultivator suffering from occasional visitations of famine and scarcity.

	Rs.	as.	p.
Cash in hand	973	5	0
2737 mds. $7\frac{1}{2}$ srs. of paddy loaned out	6158	10	9
Interest in kind 181 mds. $36\frac{1}{4}$ srs.	409	4	$7\frac{1}{2}$
Sundry cash advances realizable.	231	15	0
	<hr/>	<hr/>	<hr/>
	7773	3	$4\frac{1}{2}$

The success of the Jaygunj Gola led the promoter to start similar banks at Shaitgarh Teota and at Rahatpore in Dacca district in March 1900 when there was a good harvest after a bad year. Only a small portion of the villagers in these two instances came forward with earnestness and paid their contributions in grain. The stock stored in these two Dharmagolas was small, but in the case of Shaitgarh Teota Golah those who did not contribute in the first year, contributed in the third year, as they were convinced of the usefulness of the institution by its working in 1901 and 1902. The original stock of 50 maunds increased to 182 maunds in 6 years. In the case of the Rahatpore Dharmagola the original stock of $60\frac{1}{2}$ maunds increased to 186 maunds. There are two similar co-operative grain banks in Bankura District,—one at Bansuria, and the other at Taldangra. The Taldangra Grain Bank was started on the 14th of December, 1906 with a donation of Rs 50 from the Collector of Bankura and member's grain deposits of 21 maunds. Taldangra and Tantidanga—two villages within the *elaka* of the Maharajadhiraj of Burdwan—came under the operation of the bank,

Very soon after its inception, however, the Taldangra society began to grant *both* grain and cash loans, charging 20% on grain loans and 12% on cash loans. The loans were granted only to members who numbered only 26. The society was duly registered in December, 1906.

The dual function of the bank, however, gave rise to many complications and the office-bearers themselves experienced difficulties in keeping the books. It was felt, therefore, that the bank should either go on purely as a grain bank or as a cash society. Last year the bank was converted into a pure cash bank.

A better fate, however, has awaited the Banasuria Grain Society which is now quite in a flourishing condition. This bank was started in April, 1906, with 26 members. The original fund was composed of 16½ maunds of paddy paid in by members as admission fees and Rs. 50 advanced by the Collector from subscriptions raised previously : paddy was purchased with this sum and the whole stock was invested in loans to members and the society began work in a very satisfactory way. It was duly registered in April, 1907. An entrance fee of one sali (*i.e.* 20 seers) of paddy is taken from every new member. Repayments are very punctual in this society. Loans are granted in July of every year and received back with interest in next January. The Society built its own Gola, in 1914. Interest is charged at the rate of 25%. At present there are about one hundred members and the working capital consists of about 60 maunds of paddy. In the latest Audit Report the auditor writes—"The members greatly appreciate the utility of this bank and they told me that it was doing much good to them."

Similar societies have been established in another district of Bengal—Midnapur. In Bombay Presidency also there are now 13 such Grain Banks of which the most successful is that at Kodni in Belgaum, with a working capital of Rs. 4,351.

Societies at Sattigeri in Belgaum, at Dogarkhini and Lehenwadi in Ahmednagar and at Vadgaon Nimbalkar in Poona have made a fair beginning in a small way.

The advantages of Grain Banks.

In his excellent little pamphlet on "Dharmagolas" Rai Parbati Shanker summarises the advantages of such grain banks as follow—

- (1) A Dharmagola can be established in each village from its own resources.
- (2) The contribution of each individual being only a small portion of the annual yield of paddy is not likely to cause any hardship.
- (3) The cost of its upkeep will not be heavy, as the posts of the Panchayets other than the Goladar will be honorary. Fit men for the management of the banks will be always available in the village.
- (4) There will be no scope for excessive borrowing from such banks, as there may be in the case of money banks.
- (5) On the accumulation of stock of paddy in the Dharmagola, old paddy will be exchanged for new paddy securing a profit and preventing sickness that is caused from the consumption of new rice.
- (6) The Dharmagolas, by supplying grain for food to the cultivators in want, would allow them to appropriate better prices for their crops.
- (7) The Dharmagola, being the public property of the village, and no one having any right to sell the stock, a reserve stock of grain will ever remain in the country.
- (8) The Dharmagola, if established all over the country, will not only benefit the agricultural classes, but also the Zemindars and the Govern-

ment as it will relieve them of the necessity of making contribution for assisting the people during famine and scarcity.

- (9) The initiative being taken by the villagers, and the panchayets being appointed by them, they will take a special interest in these Dharmagolas and will try by all means to maintain them on an efficient basis.
- (10) During times of scarcity a formidable difficulty presents itself in transport of grain to villages which are without railway or steamer communication. The establishment of these banks will solve the difficulty.

BY-LAWS OF THE DHARMAGOLA, OR CO-OPERATIVE GRAIN SOCIETY.*

Name of Society. 1. The name of the society is.....Dharmagola. It is registered under Co-operative Societies Act, II of 1912.

Registered Address. 2. The registered address of the society shall, for the present, be at....., post office....., thana....., subdivision....., district..... In the event of any change in the situation of the registered office, notice of such change shall be sent to the Registrar of Co-operative Societies, Bengal.

Objects. 3. The objects of the society are to create a store of paddy to be lent out to members only for seed grain, maintenance and for repayment of paddy debts at higher interest, and to create a reserve stock for any unforeseen emergencies, such as famine and scarcity.

Membership. 4. Every member of the society must be—

- (1) ordinary resident within.....;
- (2) of good character ;
- (3) of not less than 18 years of age, except in the case of a minor heir of a deceased member ;
- (4) not already a member of any other Dharmagola.

[* Issued from the Office of the Registrar of Co-operative Societies, Bengal.]

5. Every member shall pay an entrance fee of.....in cash orseers of paddy, and shall sign his name or put his thumb mark in a register of members to be kept by the society in token of his acceptance of these by-laws.

6. The members of society shall consist of—

- (a) those persons who have subscribed to the application for registration and to these by-laws ;
- (b) such persons as shall hereafter become members of the society by election according to these by-laws.

Election of Members. 7. Every person desirous of becoming a member shall apply to the Committee of Management, which, after careful consideration, may elect him as a member or refuse his application. If more than one-fourth of the members of the society object to the admission of any person as a member, he shall not be admitted. As soon as a member has been elected, he shall sign the register of members and pay the entrance fee.

8. The widow, legal heir or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

Cessation of Membership. 9. Membership shall cease by (a) permanent removal of residence beyond the prescribed limits, (b) expulsion, (c) bankruptcy and (d) death.

Any member can, at any time after three years of his first becoming a member withdraw from the society after giving notice to the Committee, provided there are no debts due by him to the society.

A member who permanently removes his residence from the area prescribed in by-law No. 4, shall ordinarily cease to be a member, unless the Committee permit him to remain a member.

Suspension and expulsion of Members. 10. The Committee of Management may fine, suspend or expel a member—

- (1) for any breach of these by-laws or of the rules of the society ;
- (2) for being in default to the society ;
- (3) for any conduct proved to their satisfaction by which he may weaken the credit of the society or bring it into disrepute.

11. All such cases shall be reported to the next general meeting for confirmation.

The funds of the Society and its borrowing power. 12. To carry on the work of the society, the Committee of Management may raise paddy by way of contributions or donations, and may also, on behalf of

the society, borrow paddy and accept deposits of grain. The Committee of Management may, in special circumstances, borrow money with a view to its conversion into paddy. The maximum amount of borrowings in the shape of loans and deposits shall be determined annually at the general meeting of the society, but may be revised at any subsequent general meeting during the year.

Contributions and Donations. 13. Every member shall be bound to contribute paddy to the stock of the Dharmagola, if the general meeting decides to levy contributions in the interests of the association. The general meeting may fix the rate at which such contribution shall be levied.

It is further expected that every member shall make voluntary contributions in cash or paddy on special domestic occasions, such as *sraddha*, marriage, birth of a child, etc. When cash is contributed, it should be either added to entrance fees or converted into paddy.

Liability of Members. 14. The liability of the society shall be unlimited, i.e., each member, equally with every other member, shall be jointly and severally liable for the debts, if any, of the society.

15. The liability of a past member for the debts of the society, as they existed at the time when he ceased to be member, shall continue for a period of two years from the date of his ceasing to be a member.

16. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society as they existed at the time of his decease.

17. All documents creating a charge or obligation on the society shall be signed by at least three members of the Committee of Management, including the Chairman or the Secretary, and shall bear the common seal of the society : provided that in case of receipts for deposits and repayments of loans the Chairman or the Secretary, or any office-bearer duly authorised by the Committee of Management may sign.

General Meeting. 18. The supreme authority of the society shall be vested in the general meeting. The general meeting must maintain a general supervision over the business of the society, especially over the acts of the Committee of Management and supervisors, and shall do all things which the interests of the society demand.

19. The general meeting shall meet at least once a year or as often as may be necessary. At least a week's notice of the meeting should be given. The meeting shall elect its own Chairman. The proceedings of all general meetings shall be recorded by the Secretary and signed by the Chairman. Extraordinary general meeting can be called, whenever

necessary, at the requisition of the Registrar, the Committee of Management, the supervisors or members, numbering at least one-fifth of the number of registered members subject to a minimum of eight members. Each member shall have one vote. Only members present can vote. It is the duty of all members to attend the general meeting. One-fifth of the number of registered members shall constitute a quorum, but the minimum number of members present shall be eight. On any question the opinion of the majority shall prevail. The Chairman shall have a casting vote. At every annual general meeting the Chairman shall read out from the by-laws the duties of the general meeting and shall explain the same to the meeting before its business commences.

20. Its duties shall be—

- (1) to review the working of the society ;
- (2) to elect the Chairman and members of the Committee of management and to appoint supervisors ;
- (3) to decide the maximum amount of liability to be incurred during the year ;
- (4) to fix the rate of interest to be paid by borrowers and to depositors ;
- (5) to decide the maximum amount which any member can borrow at one time ;
- (6) to decide the maximum period for which any loan can be granted ;
- (7) to hear all complaints against the Committee of Management and office-bearers ;
- (8) and in particular in the case of the annual general meeting to receive a report of the number of loans and their amount made to members of the Committee of Management during the past year ;
- (9) to empower the Committee of Management, if it considers it necessary, to levy additional interest for default and fines payable by such members as fail without good cause to attend general meetings ; to fix the rate of additional interest and fines ; to remit, if it is thought desirable, any such interest and fine levied by the Committee of Management ;
- (10) to transact any other business that may be considered necessary.

Committee of Management (Panchayets). 21. Subject to the direction of the general meeting, the management of the affairs of the society

shall vest in the Committee of Management. The Committee shall consist of not less than five members who shall be elected annually at the general meeting. The Committee shall elect one of its members as Secretary who will also act as Goladar. They shall meet at least once a month on a fixed day and at a fixed place, and shall record their proceedings in the minute book of the society which shall be signed by the Chairman and the Secretary. Three members should constitute a quorum and four members, if the Committee exceeds six. The duties of the Committee shall be—

- (1) to elect new members ;
- (2) to raise loans, subject to the provision of rule 1 ;
- (3) to deal with applications for loans ;
- (4) to receive and disburse paddy as may be required ;
- (5) to prepare periodically a balance sheet ;
- (6) to check the security of each loan outstanding ;
- (7) to collect, as they fall due, loans with interest, and to take necessary steps to recover all arrears ;
- (8) to verify the stock balance at least once a year ;
- (9) to take action on the report of the supervisors ;
- (10) generally to carry on the work of the society.

22. The members of the Committee of Management shall be responsible for the good management of the society. They shall be liable to the society for any wilful neglect of their duties and for any expenditure contrary to the rules and by-laws of the society.

23. No Chairman or Secretary shall hold office for more than three years in succession without the previous permission of the Registrar or shall be eligible for re-election within two years of such period without such sanction.

24. No member of the Committee shall receive any remuneration for any work done by him for the society except the writer of the books and the Goladar. The Committee may appoint a *kayal* to weigh the grain on such remuneration as it thinks fit.

25. If a member of the Committee die or resign, or fail to attend three Committee meetings consecutively, the other members of the Committee and the supervisors, if any, may appoint a new man to take his place till the next general meeting.

Duties of the Secretary and Goladar. 26. The duties of the Secretary and Goladar shall be—

- (1) to keep the accounts and place them before the Committee at each meeting ;

- (2) to disburse and receive grain as ordered by the Committee ; no grain will be disbursed without an order from the Committee ;
- (3) to keep one key of the gola ; the duplicate to be kept with one of the Committee.

Duties of Supervisors. 27. The number of supervisors shall not be less than three. Their duties shall be—

- (1) to watch the security of each outstanding loan, and to keep the Committee informed regarding it ;
- (2) to be present at the time of annual verification of the stock by the Committee of Management ;
- (3) to bring to the notice of the Committee any abuses which they may have observed ;
- (4) to perform such other duties as may from time to time be entrusted by the general meeting.

The Committee shall be bound to produce all documents and accounts and to give every available information to any of the supervisors.

Loans to Members. 28. The society shall grant no loan except to a member.

29. The rate of interest on loans shall be determined from time to time by the general meeting but shall not exceed 25 per cent.

30. Loans shall be granted only for the purposes mentioned in rule 3. Any person desiring a loan shall state definitely the object for which the loan is required, and every loan shall be expended only on the object for which it was given.

31. Every applicant for a loan must present one surety if the quantity be not more than.....and two sureties for larger loans. The Committee may require additional security if it considers it necessary.

32. Repayment kists shall be fixed by the Committee of Management at the time the loan is granted with reference to the purpose to which the loan is to be applied and the crops grown by the borrower and his other circumstances of income ; but no loan shall be granted for any period exceeding that which may from time to time be fixed by the general meeting. In the case of loans granted for seed, grain and maintenance purposes, full repayment should be made after the next crop. The Committee of Management may grant an extension of time in exceptional circumstances to be notified to the Committee before the repayment or instalment falls due.

33. If a borrower fails to pay interest or any instalment of principal, and the Committee of Management does not grant an extension of time,

the whole loan shall become immediately due and payable irrespective of any conditions on which the loan was made together with penal interest.

34. If any property is released by the borrower from mortgage with the paddy advanced by the society, the borrower shall not sell, mortgage or transfer it until the debt to the society has been paid, except with the consent of the Committee of Management or in order to satisfy his debt to the society.

35. Any advance outstanding against a member who dies, withdraws or is expelled or otherwise ceases to be a member, shall be immediately payable irrespective of any conditions on which the loan was made.

36. If the Committee of Management finds that the security for an outstanding loan has become insufficient, it shall call on the borrower to provide satisfactory security and in default shall call in the loan at once.

37. Notwithstanding anything contained above, the society reserves to itself the right of calling in any outstanding loans on four weeks' notice, but this power shall not be exercised save when there is a general run upon the society by its creditors, or when the borrowers of the society or their sureties are in such a position that the funds of the society are endangered or in other exceptional circumstances.

Deposits. 38. Subject to any rules made by the general meeting, the Committee shall decide the terms on which deposits of paddy or grain shall be accepted and the rates of interest for the various kinds of deposits, provided that the rate shall not exceed two-thirds of the rate at which loans are granted.

Disputes. 39. All disputes which the Committee of Management cannot decide shall be referred to the Registrar who may either decide the matter himself or appoint an arbitrator or arbitrators. The decision of the Registrar or arbitrators shall be final.

Books and Accounts. 40. All the account books and the by-laws and other records shall be open to the inspection of members while the Committee of Management is sitting.

Reserve Fund and Profits. 41. The society shall maintain a reserve fund from the profits earned by it. All profits after deduction of working expenses and any expenditure on charitable purposes up to the limit laid down in the Co-operative Societies Act shall be credited to this fund.

42. The reserve fund shall belong to the society as a whole and shall be indivisible amongst the members. If the society ceases to exist, the reserve fund shall be disposed of for the common good according to the wishes of the majority of the members, subject to the approval of the Registrar.

43. The fund, which is intended to be a source of strength to the society, shall ordinarily be available for any of the following purposes:—
- (1) to cover any losses arising from unforeseen circumstances ;
 - (2) to meet any liability when the society has not got sufficient stock, such payments being re-imbursed to the fund as soon as collections are made :
 - (3) to serve as security for any loans which the society has to contract ;
 - (4) to be lent out on loans only in the years of total failure of crops.

Miscellaneous. 44. Each *gola* shall be locked with two substantial locks. The key of one of these locks shall remain in charge of the Secretary and Goladar and the key of the other lock shall remain in charge of the Chairman or one of the other members of the Committee of Management. The Goladar shall be responsible for the safe custody of the stock, but the other panchayets shall be responsible to the villagers for the safety of the *golas*.

45. In the *golas* a compartment shall be provided for keeping apart seed grain and another for keeping reserve stock.

46. To prevent deterioration of the stock the panchayets shall exchange old paddy for new paddy whenever they think it necessary to do so, and at such rates as may from time to time be determined by the general meeting, or in the absence of any resolution passed at the general meeting, at such rate as may be deemed proper by them.

47. At the close of each working year the panchayets shall weigh the stock of paddy in the presence of the supervisors who will certify the quantity of paddy found in it.

48. They shall then prepare a complete account of the year's transaction including the quantity of decrease in stock on account of wastage, loss in weight and other causes.

49. As soon as the accounts are ready, the panchayets shall convene the annual general meeting.

50. In this meeting the accounts shall be carefully examined and the quantity of wastage should be considered. If the percentage is unusually high, panchayets shall be required to explain the cause of it. If the explanation is not satisfactory, the panchayets shall be made liable for the loss, and the loss shall be realised from them in any manner that may be settled at the meeting.

51. All income on account of admission fees shall be spent on the construction and repair of the *gola*. If such fees and donations be not sufficient for the construction and repair of *gola*, the Committee may utilise the reserve paddy to meet the deficiency.

Winding up. 52. The society shall be wound up whenever three-fourths of the members wish it, provided that the Registrar approves.

General. 53. Any of these by-laws may be altered or rescinded or new by-laws may be made at a general meeting held in accordance with the rules made by Government in this behalf, and such amendment will come into force after it has been approved and registered by the Registrar.

54. The society shall keep a copy of the Co-operative Societies Act, II of 1912, of the rules made by Government under the Act and a copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

55. All matters not specially provided for shall be decided according to the terms of the Co-operative Societies Act, II of 1912, and the rules framed under section 43 of that Act.

The above are the by-laws referred to in our application for registration dated.....

Signature of applicants.

CHAPTER IX.

OBSTACLES IN THE WAY OF RURAL CO-OPERATION IN INDIA.

In our enthusiasm for the co-operative movement we should not be blind to its many weak spots. A perusal of the Reports of the Registrars of Co-operative Societies will show that they, at any rate, are fully alive to them and a few quotations from some of them will show that they are never weary of reiterating them year by year.

The illiteracy of the people.—

The illiteracy of the people still remains the greatest obstacle in the way of the formation and management of Societies. "In many villages where there is a demand for a Society, it has been found impossible to get a suitable Secretary. The appointment of the *Talalthi* or *Kalkarni* to do the work is never desirable, as this involves the collection of the Society's dues and of the Land Revenue by the same agency and the people came to regard the Society as a Government Department. The plan of appointing one secretary for a group of Societies has not been conspicuously successful. Group Secretaries are often reluctant to visit societies outside the village where they reside. Committee members are harassed by being summoned to the secretary's house, and accounts fall into arrears. Moreover, when the Secretary is the only literate man in a society, there is always a danger that he will become the master instead of the servant." (Bombay Report, 1914-15). The Registrar of Bihar and Orissa similarly points out that "the determining factor is the illiteracy and ignorance of the ryots. In most societies those who can read and write can be counted on the fingers of one hand and usually it is very difficult to find one man who is really competent to keep the books. * * * The

present situation is that the average member either cannot, because of his illiteracy, or else he thinks it none of his business to, control the Committee, and at any rate dares not offend the prominent men of the community in whose hands the bestowal and recovery of loans appear to lie." The gradual spread of education is the only remedy for this state of things.

The selfishness of the members of the Managing Committees.—

"The selfishness of the members of the Managing Committees and the apathy of the general body of members which in fact tend to promote the self-seeking propensities of the managing committee are also dangers to which all the co-operative societies are peculiarly liable. The selfishness of the committee of management is observable in the way in which they try to appropriate the bulk of the loans. To avoid detection *benami* loans are indulged in. To root out this evil we must depend upon the growth of a more corporate feeling amongst the members and this growth can only be encouraged by an insistence on the knowledge of co-operative principles on the part of the general body of the members". (Bengal Report, 1914-15).

Favouritism in advancing loans and unpunctuality in repayment.—

"Carelessness or favouritism in advancing loans, or slackness in pressing for recovery, on the part of the Committee, unpunctuality in repayment or even wilful default on the part of members, are things that have to be guarded against, day by day, even in the best of societies. These are platitudes, but they need be impressed upon many excellent people who know that co-operation is in the air, and go about vaguely preaching its 'blessings' without a word about its difficulties. We still have to fight the notion that co-operation is a Government Charity. A member of the Managing Com-

mittee of a rural society in the Deccan informed me that 'a society means that our Rao Saheb distributes Government money to poor men.' Abysmal ignorance of this kind is hardly typical now. But far too many societies seem to expect to get a loan from the Central Bank to redeem all their members' old debts as soon as they are registered. I have steadily refused to sanction loans for this purpose to societies that have not proved for a year or two their capacity to manage loans for ordinary agricultural purposes. The first lesson that members have to learn is the necessity of punctual repayment of loans. The Sawkar neither expects nor desires punctuality." (Bombay Report, 1914-15.)

"The *panches*, as a rule, have not been slow to take advantage of the situation, and a common feature is the accumulation of a large proportion of the working capital in the hands of a few men, even beyond their real assets. Then the *panches* either cannot or will not pay up their large *kists* and so either lose authority to collect or else purposely allow the rest to fall into arrears so as to make it appear that owing to bad seasons no one can afford to pay. In this way a number of societies have come and are coming to stagnation and ruin. To this result injudicious management or lack of supervision on the part of central banks and organizers only too often contributes. In the old days societies were frequently started without proper local inquiry, the members were not properly instructed in the principles of co-operation and either too many men were taken in at first or else the membership was allowed to increase so rapidly that, even if the original applicants understood anything, they were swamped by a number of loan-grabbers who never learnt anything about the society at all. The societies have either been left too much alone or inspected by clerks whose one idea was to sign the books and get away, or else to make money. General meetings were either not held or else rushed

through in a perfunctory manner with a bare quorum and without the despatch of the business prescribed in the bye-laws. The *panches* themselves seldom read their bye-laws or even knew of their existence. The financing of societies was also one of the causes of failure. Money was freely given out to the *panches*, who often kept in their own hands loans destined for others and even when societies failed to pay their dues without proper excuse, fresh loans were granted again, and perhaps again, under the idea that the societies were dependent on the central bank or that if they did not receive advances they would have recourse to *mahajans*, and this was accounted a disaster. Often, too, the members paid their *kists* by borrowing temporarily at high rates from *mahajans*, sometimes even from the *sahu* treasurer of the central bank through whom all payments were made and received. Another common trick was to show all loans due from members as collected, whereas only sufficient money was raised to pay the central bank's demand and on a new advance being received, the amount actually given to each member was increased in the books so as to square the accounts." (Bihar and Orissa Report, 1914-15).

How to remedy these defects.—

To remove these defects the following means have been, more or less, generally, taken in the major provinces—

- (1) *Careful organisation* : No society is now registered until a local enquiry has been made by a responsible person, usually a director or the central bank manager, who has to certify that the statement of the assets and liabilities of the members is correct and that all the applicants understand the "Ten Main Points of Co-operation". Good organization is half the battle won, and a society properly started and thereafter

- inspected rarely gives trouble, provided it is not allowed to expand too fast,
- (2) *Inspection and Instruction* : The improvement of the inspecting staff and the appointment of good managers, who will be more reliable and wield greater authority, have already begun to bear good fruit. For the better inculcation of co-operative knowledge the "Ten Main Points" have been drawn up, translated in prose and in verse, and circulated amongst all co-operators.
- (3) *General Meetings* : Due importance should be attached to the annual general meeting, and it should be pointed out that, if it is to have any value in most societies, the presence of a director, supervisor or some other responsible person is essential. Without such help, the illiterate members cannot control the *panchayat* and the meeting may well be a farce. The audit note and the annual accounts should be explained and the limit to the amount which each member may borrow carefully examined. A general limit for all members such as is commonly laid down is quite useless.
- (4) *Business-like financing* : Central Banks must remove financing altogether from the sentimental plane and put it on a strictly business footing. Societies which are well-managed and whose members pay their *kists* and take proper interest should be given loans, while bad societies should be refused money or their advances much restricted. If societies whose members do not pay and will not learn their by-laws and the "Ten Main Points" get advances just like the rest, it has the worst effect on the whole area,

- (5) *Liquidation, Expulsion etc.* : Those societies which, on account of their bad ways are refused loans and still do not improve must be recommended for dissolution. Hitherto the tendency has been to avoid extreme measures as being harsh and likely to give the movement a bad name. Experience shows this to be wrong. The maintenance and financing of bad societies has bad effects on the rest, wastes the time of the directors and the staff and does more harm in the eyes of the public than closing them. The expulsion of one or two bad members often has the desired result, but it is not always easy.
- (6) *The establishment of Guaranteeing Unions* on the Burma model will go a great way towards establishing the financial stability of the societies and promoting their better and more careful management.

The criteria of success.—

Briefly speaking, the criteria of success of rural co-operative credit societies may be enumerated as follow—

1. Knowledge by Chairman and Secretary of all by-laws.
2. Knowledge by all members of the ten essential principles.
3. Good management :
 - . Careful admission of members.
 - Careful issue of loans.
 - Punctual collection of dues.
 - Good accounts.
4. Increase of assets—diminution of debts.
5. Local initiation.
6. Ability to get local funds.

CHAPTER X.

EFFECTS OF THE RURAL CREDIT CO-OPERATIVE MOVEMENT IN INDIA.

The rural credit co-operative societies in India are now numbered by the thousand ; with their aid laborers have become owners ; hopeless debt has been banished and the *Makajan* driven out ; agriculture and industry have been developed, and the villagers in the poorest tracts have become prosperous ; the illiterate man has turned towards education and the drunkard has been reclaimed ; the middle-man has been eliminated, the raiyat is getting full value for his produce, and paying his rent with ease ; village life has been stimulated by associated action and by the business education of the bank ; punctuality, thrift and mutual confidence are being taught ; litigation has decreased and morality has improved ; activity has taken the place of stagnation and routine ; associated action has replaced mutual distrust.

These effects of the credit co-operative movement upon our rural folk may be classified under six heads—moral, educative sanitary, social, economic, and administrative.

The Moral Effects.—

The societies have exerted a very powerful influence on the moral and social welfare of their members. Drinking, gambling and other forms of loose morals and social indiscipline, have necessarily to be sternly discouraged where a community of men stand jointly responsible for the debts of one another. Provincial reports abound in instances where a

society has excluded or punished members for such delinquencies.

The moral effects of the movement are evident when we consider that many of these societies settle village disputes by reference to the *panchayet* without going up to courts. In the words of Sir Edward Maclagan—"The effect of co-operation on litigation is in some places very marked and we hear in one district of a decrease during the year of 1,100 Civil Cases which the judicial authorities ascribe in the main to co-operative credit societies." In last year's report of the Registrar of Co-operative Societies, Bengal, we read that arbitration of disputes by societies is now a common feature in several areas and that sometimes curious punishments are meted out to members who are found guilty of any offence. In one society in the Manipur area the minute book shows that a member was to be beaten with shoes for trespassing on another member's land and the order was duly carried out and the member meekly submitted to the punishment. Many societies in the United Provinces have instituted small funds for the benefit of indigent residents of the village. Interesting cases are also common where a society has taken charge of the land and effects of a deceased member and after a careful administration which made possible an early repayment of all liabilities have returned the fields to the widow or children of the deceased. We also read in the annual report of the Brahmanberia Central Bank that during the recent scarcity in that district the members of some societies had made a rule that the adult members would fast for the whole day once a week and the small savings they would be able to make thereby would be spent towards helping the needy neighbours in distress. There is no doubt that the co-operative societies have been very largely instrumental in broadening the moral outlook of the members and in giving them a new interest in life.

The Educative Effects.—

In the words of Mr. Wolff the credit co-operative movement "has already quickened the intelligence of the raiyats and awakened their power of thought, understanding of business and sense of responsibility. They have learnt something and they are showing themselves anxious to learn more. They want to master rudimentary letters, to fit themselves for keeping accounts and checking them." Again, Sir Edward Maclagan says—"We have instances brought to our notice of the effect of co-operation in improving the education and morality of the communities which have adopted it, in reducing unnecessary expenses and in supplying medical relief." As a matter of fact we find that in a Midnapore village one of the most direct effects of the society has been the institution of a Middle English School to the upkeep of which the society is now contributing four rupees per month from its profits, and that in Khulna one of the effects of these societies has been a growing demand for night and vernacular schools.

Effects on rural sanitation.—

Sometime ago the Government of Madras approved a scheme for utilizing the services of rural co-operative societies for the improvement of sanitation within the area of their operations and decided to try the experiment with some twenty societies in large non-union villages. Grants amounting to about Rs. 18,000 were made to these societies which were allowed to spend the amount without any of the formalities usually required by the local fund code and other standing orders. The presidents of the taluk boards concerned were requested to inspect the works in person and report to Government, through the Registrar of Co-operative Societies, whether the money had been properly spent and how far it had been supplemented by local contributions.

In a recently published Government Order, the Government observe with pleasure that with one exception all the societies, or, under their influence, all local residents, have, on the whole, discharged the duty imposed on them satisfactorily. The grants made by Government were supplemented by local contributions in the shape of money in four cases and in the shape of free labour in two others. The experiment having so far met with success, the Government of Madras have permitted presidents of district boards to use these agencies for carrying out further rural sanitation work where opportunities offer subject only to inspection of the completed work by the president of the taluk boards concerned.

We welcome the new departure and are glad that the scheme has been successful. If the scheme is slowly and cautiously advanced without interfering with the ordinary work of credit societies, it will be productive of much good to the community. We wish similar experiments were tried in other provinces of India. In the other provinces the societies have, of themselves, undertaken and carried out sanitary reforms within their areas. Thus in several districts of the United Provinces quinine and other simple remedies have been stocked and distributed to the villagers. In Benares and Jaunpur, the societies have done very useful sanitary work in the filling of pits, repair of drinking wells, improvement of village drainage ; all this was done with the help of the grants made by the District Boards, largely supplemented by contributions from the societies themselves.

The Social Effects.—

Its social effects are no less remarkable. The Indian co-operative credit societies give loans to members not only for paying off old oppressive debts and for such productive objects as the purchase of fertilisers, seed and livestock, the building of houses, the purchase of land etc., but also for

marriages, pilgrimages and funerals. Here in India no distinction is made between productive and non-productive expenditure, the distinction observed being that between necessary and unnecessary expenditure. Loans for marriages, *sradhs* and even pilgrimages to holy places are also therefore allowed ; because, if loans for such purposes were refused the members would be compelled to raise money from *maha-jans* at the usual exorbitant rates and they would be left without any wholesome check on their expenditure.

In many cases the *punchayets* have cut down the amount applied for to meet such expenses. It is usually the dread of village opinion that compels a villager to spend large sums of money on these social ceremonies. It is the same village opinion which now compels a man to restrict his expenditure on these objects and the good people of the villages where there are societies are no longer anxious to have feasts at the expense of an unfortunate man who has lost his father or who has to marry his son or his daughter, for (on account of unlimited liability) anything that affects the man's solvency might also affect their own pockets. Again, in his Resolution on the working of Co-operative Credit Societies in the United Provinces, during 1911-12, Sir James Meston thus sums up in weighty terms some important aspects of the social results of the Co-operative Movement :—“The movement has undoubtedly had an appreciable effect in creating solidarity of feeling and a neighbourly spirit, and in providing a nucleus of a natural authority to which village disputes can be referred and which may be invoked to justify thrift on occasions where custom demands extravagance. It is in effect calling into existence an articulate public opinion and giving it concrete embodiment in the *punchayet*. Further, the group system of organization is leading to co-operation between village and village. The Registrar, with pardonable enthusiasm, looks upon the movement as heralding a new corporate

village life and even the birth of a rustic civilization and culture."

The Economic Effects.—

Its economic effects are very far-reaching indeed, for it has tempted hoarded money out of its concealment and has attracted the funds of the general public. The successful working of these societies has earned the confidence of the villagers who now do not hesitate to deposit their hoarded savings in them. These societies are specially appreciated by widows and old men as convenient places for the custody of their hard-earned savings. We give here some remarkable instances from the very interesting reports on the working of Co-operative Credit Societies in Bengal. In Midnapore the widow of a *mahajan* who did not help the society with any deposits, although several times approached by the members, deposited Rs. 800 on behalf of her minor sons two days after the death of her husband. In another case a man who was not suspected of having any money at all brought Rs. 100 to deposit in his society after there was a theft in the village ! In Khulna a palanquin-bearer, to the agreeable surprise of all, brought in Rs. 1,200 to deposit in the Khulna Union—a case of hoarded wealth indeed ! Enquiries elicited the information that he was known to be a sober and steady man and that the villagers had always suspected that he had some money which he had Silas-like buried underneath the earth.

The Land Revenue Administration Report of the Bombay Presidency for the year 1914-15, bears striking testimony to an important aspect of the economic effects of the movement in the following words ;—"The amount advanced under the Takavi Acts in the Presidency proper was little more than half of that of the previous year. This is largely due to the satisfactory agricultural situation ; but there are also signs that the spread of the co-operative movement is tending

to make the cultivator less dependent upon Government for financial support than was formerly the case."

Mr. Wolff thus summarises the economic effects of the Credit Co-operative Movement in India—"Co-operative Credit has brought money to many a spot thirsting for it, generally in the right way; in many cases has it replaced hopeless insolvency by solvency already attained or else in prospect; there are, at any rate, hundreds, probably thousands, who have, by the aid of this helpful ally, liberated themselves from the usurer's yoke; there are villages in which the *mahanan* and the *sowcar* now find their occupation gone. The institution has accordingly inspired new hope into the minds of the debt-burdened ryots and opened to them a way to higher existence."

Some other important aspects of the economic effects of this movement may be noticed here. One is thus described by Sir Edward Maclagan—"If we take the question of saving in interest alone, the benefit done has been great, and is increasing. We may fairly assume that the saving on each loan given out by societies during the year to agriculturists has amounted to at least ten per cent, and the result is that at a low computation we save the agriculturists of India from an absolutely unnecessary burden of at least ten lakhs of rupees for every crore of rupees lent out by Co-operative Societies: and the sums so lent out have already begun to be counted in crores."

Credit Co-operation is also bound to play an important part, if not directly, at least indirectly, in the development of Indian commerce and industries. In the first place, by removing the heavy load of indebtedness it will increase the purchasing power of the ryots and create a large demand for industries. Secondly, by reducing the general rate of interest and setting free a large portion of capital which is now employed on agriculture and which is now earn-

ing a rate of interest which industrial concerns can hardly afford to pay, it will promote and encourage investment of Indian capital in industries.

Thus we see that the Co-operative Credit Society is the guardian of the village—it is its own bank, its own court, its own school and its own municipality: it lends money, it settles disputes by arbitration, it offers educational facilities, it effects sanitary improvements—it has grown into a sort of a village democracy: truly has it been said that “one can see in these institutions the beginnings of the old village communities whose disappearance as a factor in the political organization of the country every one deplores.”

Its possible administrative effects.—

In a similar strain H. E. Lord Carmichael spoke in his opening speech at the fifth Bengal Provincial Co-operative Conference of 1913—“In the administration of Bengal the solution of great problems which most nearly affect the people of the country (whether they concern the water-supply or sanitation or fighting malaria) depends upon local effort, and in this we are handicapped by the want of village institutions. But I hope I am right in foreseeing that in the future these societies will take the place of the old village institutions which once existed in India, and I am sure I am right in thinking that, if they do so, there will be a great change for the better in the administration of the country.” So also, the Hon’ble Mr. P. C. Lyon, speaking at the same conference, said—“It is recognised now on all sides that a successful village society means a far step forward in education and local self-government,—in fact, the resuscitation of village government in a most attractive form.”

And in his presidential address at the sixth Bengal Provincial Co-operative Conference (1914) he (the Hon. Mr. Lyon) predicted that the Co-operative Credit Societies

were destined to form the best and soundest basis for the constituencies of the future. "I look forward to the time," he said, "when the Co-operative Credit Society of each village, bringing the people together for all matters connected with the weal of the village, will be linked up with the system of village and circle government and will be utilized as the only efficient electoral unit. Each such unit will vote for the representative who will look after the interests of the village in a larger council composed of an aggregate of unions, and he will, in his turn, help to elect the members of still higher councils. In every stage of such development you will find the Government your firm ally, as it is in this way alone, I believe, that we shall obtain truly popular constituencies, able, by the influence they exercise on public affairs, to contribute valuable assistance towards the good government of Bengal."

CHAPTER XI.

NON-AGRICULTURAL CREDIT CO-OPERATIVE SOCIETIES.

Provision for the formation of non-agricultural credit co-operative societies.—

The advisability of providing for the formation of urban or non-agricultural credit societies was recognized even before any steps had been taken to launch the co-operative movement in India. The report of the committee on the establishment of co-operative credit in India—the committee which sat in 1901 and which drafted a bill as the result of its deliberations—contained the following paragraph—"Further, we consider that the efforts of Government should not be limited to encouraging the establishment of purely agricultural societies. The Italian co-operative banks were first started in towns, and taking into consideration the results achieved by them, we consider that endeavours should be made to encourage the formation of urban societies working on co-operative lines. The object which these societies would serve would be two-fold. In the first place, we consider that they would meet an existing want in providing a medium somewhat more profitable than the Post Office Savings Bank for the accumulation of savings by clerks and artisans, and would thus serve as a useful and much-needed incentive to thrift.....Further, one of the main functions of such banks in Italy is the loaning of capital to rural banks and we see no reason why urban societies in India should not similarly provide funds for village societies."

The Co-operative Credit Societies Act of 1904, based largely upon the recommendation of the above committee, recognised two classes of societies, agricultural and urban, the distinction being that in the former four-fifths of the

members were to be agriculturists, and that, in the latter, at least four-fifths were to be non-agriculturists. It is thus clear that the Government of India intended from the start of the co-operative movement that non-agricultural credit co-operation should develop side by side with agricultural co-operation, or at least that every opportunity should be provided for its so developing. Nevertheless it must be remembered that the real motive which has inspired the Indian co-operative movement has been the desire to benefit agriculture. The result is that there are 16,016 agricultural societies and 914 non-agricultural societies of which the majority (791) belong to the class of non-agricultural credit societies.

The time has now come to pursue a more energetic policy regarding the development of non-agricultural credit societies. "The interest on loans paid by the industrial classes in towns is not lower than that charged to agriculturists. With rising prices, insufficient and insanitary house accommodation, wages often held in arrears, and a desire for a higher standard of living consequent on the spread of education, industrial difficulties are bound to increase, and we are of opinion that any form of organization, such as co-operative societies, that has a tendency to alleviate these difficulties is worthy of support. We would also point out that the excessive development of agricultural societies to the exclusion of other classes means that the demand for money and the repayments of loans are not distributed evenly throughout the year, but occur at particular seasons, with the result that Central Banks during certain months of the year, find it difficult to employ their capital profitably. There are also advantages in bringing the urban classes, and specially the lower industrial classes who at present see little of Government officers except in their judicial or punitive aspects, into close contact with a branch of Government which they cannot but regard as beneficent. For these reasons we would advocate the

extension of co-operation among the non-agricultural classes, provided always that it is carefully supervised and controlled." (*MacLagan Committee's Report*).

Non-agricultural Credit Societies have already made their appearance in all the larger provinces. The total of these is about 800 of which about half are of unlimited liability. On the question of the form of liability to be adopted in such societies the MacLagan Committee think that as a general principle, when the clientele is fairly well-to-do, and when, owing to local conditions, full mutual knowledge cannot so easily be secured among the members, and when the share capital is adequate to the business undertaken, liability should be limited, but otherwise it should be unlimited. The Committee recommend that in dealing with such societies, central banks would be justified in exercising more caution than is required in dealing with agricultural societies because the co-operative safeguards are not generally so well developed. The members are often scattered or nomadic, with the result that mutual supervision tends to be less strict and difficulties occur in realizing loans. The circumstances of many societies compel them to follow purely business methods and to overlook to some extent the moral sanction that should govern their work. The accounts are often too complicated for the ordinary member to understand. On the other hand in some points many of these societies are superior to the average rural society. More of their members are literate. The management and accounts are more careful and accurate. The accumulation of savings deposits is feasible. Short-term loans and repayments by regular monthly instalments are easily arranged.

In different parts of India very many varieties of type of these societies have come into existence. We intend to notice here three of the most important viz.—(i) Middle-

class Urban Banks, (2) Societies for Salary-earners; and (3) Societies for Poor Castes.

(1) Middle-class Urban Banks.—

These societies are composed mainly of members of the middle classes, issue shares for an important amount, are based on limited liability and carry on a general banking business both with its own shareholders and with the public. They thus resemble very closely the ordinary joint-stock banks, and tend generally to drift away from co-operative principles. Shares are often taken up for the sake of dividends and money is not infrequently borrowed for speculative enterprises. Their value consists not so much in their services to co-operation as in the training-ground they afford to their members for understanding ordinary joint-stock banking. Such societies would perhaps be scarcely justified on their own merits in claiming registration under the Co-operative Societies Act, but the Maclagan Committee think that, on the whole, where joint-stock banking facilities are absent, they may fulfil a useful purpose, and they see advantages in encouraging their formation.

BY-LAWS OF THE URBAN CO-OPERATIVE CREDIT SOCIETY, LIMITED.*

Registration and Style— 1. The Society shall be called the Co-operative Credit Society. It is registered under the Co-operative Societies Act, 1912. The address is.—

Objects. 2. The objects of the Society are to borrow funds on the joint and several responsibility of all the members for being utilised as loans to members for productive purposes, and to encourage thrift, self-help, and co-operation generally among the members.

Capital. 3. The capital of the Society shall consist of—

(a.) shares subscribed by the members, the value of each share being Rs. 100;

(b) The Reserve Fund.

The Society may, in order to extend its business, contract loans and accept deposits of money on the security of its capital.

Liability of Members—4. In the event of the Society being wound up, every present and past member of the Society shall be liable to contribute to the assets of the Society an amount sufficient for the payment of the debts and liabilities of the Society and for the cost, charges and expenses of the winding up, and for the payment of such sums as may be required for the adjustment of the rights of the contributories amongst themselves, except under the following circumstances :—

(a) No past member shall be liable to contribute to the assets of the Society if he has ceased to be a member for a period of two years or upwards prior to the commencement of the winding up.

(b) No past member shall be liable to contribute in respect of any debt or liability of the Society contracted after the time at which he ceased to be a member.

(c) No contribution shall be required from any member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as a present or past member.

Members. 5. The Society shall consist of not less than ten inhabitants of town, above the age of eighteen, of respectable character and sound mind.

Any person wishing to join the Society must present a written application to the Committee of Supervision stating his willingness to submit to the obligations resulting from the constitution and from the bye-laws and decisions of the Society and the number of shares he wishes to take.

6. In cases of transfer of shares from one person to another a written application must be made by the heir or acquirer even though he be already a member.

7. The decision as to the acceptance or rejection of an application for membership or to acquire new shares shall rest with the Committee of Supervision with an appeal to the General Meeting whose decision shall be final and not removable into any Court of law.

If the application for membership be granted, the new member must sign his name in the register of members.

8. The new member is bound—

(i) to pay within one month the premium on the share or shares taken ;

(2) to acquire or subscribe to at least one share, the payment of the full amount of which or of the first instalment of which must be made within one month of admission ;

(3), to hold himself liable to the full amount of the shares subscribed by him for all obligations assumed by the Society.

9. The amount of the premium shall be proportionate to the value of the share having regard to the amount of capital paid up and of the Reserve Fund.

10. Shares may be acquired by lump sum payments or by quarterly instalments of not less than Rs. 5 payable in advance.

11. Each member is entitled—

- (1) to obtain credit within the limits and in the manner laid down in these bye-laws ;
- (2) to vote at the General Meeting, provided he has paid the premium on and at least half of one share and has been registered as a member for not less than three months ;
- (3) to a part in the capital and profits of the Society proportionate to the amount of his shares.

12. No member may hold more than ten shares.

13. The Committee of Supervision may expel any member from the Society who—

- (1) is in arrears with the payment of three instalments of the share subscribed by him without sufficient excuse ;
- (2) compels the Society to sue him to force him to fulfil any obligation contracted by him with it ;
- (3) is convicted of any serious criminal offence ;
- (4) has committed an act considered dishonourable by the Committee.

An appeal shall lie to the General Meeting whose decision shall be final and not removable into any Court of law.

14. In the case (1) of the preceding article the part paid share or shares shall be forfeited to the Society. In cases (2), (3) and (4), the Society shall refund, after deducting any sums due by the member expelled, the balance he has actually paid up.

15. In the event of a member's death, the Committee of Supervision may admit the heir as a member if it thinks fit or may after deducting all sums due by the deceased to the Society refund the amount of share subscriptions made by deceased to the heir. In such case the rateable profit fund due at the close of the year shall also be paid to the heir.

16. The shares are nominative and personal and shall not be sold or pledged except to the Society or to a member and with the Committee's consent.

17. A member shall be entitled to a share in the dividends beginning from the half-year (January 1st. or July 1st) following that in which he shall have completed the payment of his share.

18. Upon full payment of his share as well as of the premium, if any, the member shall receive a share certificate.

19. At the beginning of each year (*i.e.* in July) the Committee of Supervision shall determine the value of new shares in accordance with the amount of capital subscribed and of the Reserve Funds and shall determine the premium to be paid by new members taking shares within that year.

20. Members may increase the number of their shares at any time provided that not more than ten shares may be held or subscribed to.

21. Members removing temporarily from the area prescribed in Bye-law 5 may continue to subscribe to shares but shall not be eligible for loans.

22. Each member at the time of his taking a share shall record in respect of each share taken by him the name of the successor to whom he desires the share money and dividends accruing thereon to be paid in case of his death and the Committee of Management shall be bound to make over sums so due to such nominee, after deducting any sums due by the deceased to the Society.

23. Each share shall bear a consecutive number and shares shall be issued serially.

Funds.—24. The interest paid by the Society on Fixed Deposits and loans shall not exceed 12 per cent.

25. The amount which the Society may borrow from non-members shall be regulated by the Registrar who will be guided by the stability of the Society.

Loans. 26. In order to apply for a loan a member must—

(1) have been in the Society since payment of the first instalment of a share at least three months;

(2) have no debt overdue to the Society or due to his own sureties on account of any previous loan obtained from the Society;

(3) offer according to circumstances sufficient personal or real security for due repayment of principal and interest.

Applications for loans shall be made to the Committee of Management.

27. Loans may only be granted to members and, with the consent of the Registrar, Co-operative Societies registered under the Co-operative Societies Act, 1912.

28. Loans may be granted to a member up to five times the amount paid up by him on his shares.

The Committee of Management may grant loans not exceeding Rs. 400 of their own authority and, with the previous approval of the Committee of Supervision, not exceeding Rs. 800. The General Meeting may sanction loans with the special sanction of the Registrar, up to Rs. 1,500.

29. Loans may not be granted for more than nine months. Two renewals, each for not more than three months, may be granted on punctual payment at each renewal of at least one-fourth of the original loan with interest. Provided that loans to agriculturists for agricultural purposes may be granted on the same terms as to repayment as are fixed for loans for similar purposes in agricultural societies in the neighbourhood.

30. The rate of interest on loans to members shall not exceed 15 per cent, per annum (Rs. 1-4-0 a month per cent).

31. Loans shall only be made for productive purposes.

32. The purpose for which a loan is required shall be definitely stated in the application to the Committee. If it is misapplied, the Committee of Management shall have power to require repayment in full within one month with interest, if any, due and in addition to impose a fine of Re. 1 for each Rs. 10 of the loan.

33. The Committee of Supervision shall each year appoint a Sub-Committee of not less than half of their number to supervise the uses to which loans are put and on their report of misapplication the Committee of Management shall take steps towards recovery. Court suits shall be brought by the society in the name of the Chairman.

34. The General Meeting shall in December fix the maximum normal credit of each member, i.e., the maximum which the sum of his outstanding loans together with loans to be made to him in the coming 12 months shall not exceed. The Committee shall not grant loans in excess of this maximum. A subsequent General Meeting may, when necessary, for special reasons sanction an increase of the maximum credit of any member. No member can claim loans up to the maximum so fixed. The object of such fixation is to limit the amount which the Committee may on its own authority lend to individual members.

A register shall be maintained showing year by year the maximum normal credit of each member.

35. The Committee of Management shall be personally liable to the Society for loans which cannot be recovered owing to misapplication where it has failed to take action at the time of such misapplication to demand and enforce repayment or owing to failure to proceed against sureties in respect of overdue loans.

36. Loans shall always be granted on the personal security of the borrower and two or more sureties, who should ordinarily be members. In addition to such personal security the Committe of Management may require as collateral security a mortgage of immovable property or and the pledge of carts, cattle or boats.

37. It shall be entirely within the power of the Committee of Management to refuse a loan, to limit the amount, to object to particular members as sureties, and to fix such period within the maximum periods stated in Bye-law 29 as it thinks fit.

38. Should a member become permanently ineligible for membership or be expelled, his loan account shall be at once closed without reference to the term for which the loan was given ; the loan shall fall due at once and be recovered without delay. In the case of members temporarily ineligible the Committee of Management shall decide whether to recover the loan at once in full or in the instalments originally fixed.

39. The Society's charge upon the interest of a member in respect to any debt due from such member shall be regulated in accordance with section 20 of the Act, which is as follows :—

"(20) A registered society shall have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the Society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt."

General Meeting.—40. The ultimate authority in all matters relating to the administration of the Society shall be the General Meeting, which shall meet from time to time as necessary, but at least four times a year. All members must attend. Each member shall have but one vote. The General Meeting shall deal, among other matters, with—

- (1) The election of the Committee of Supervision, the Committee of Management and the Chairman of the Society.
- (2) The enactment, amendment or repeal of bye-laws.
- (3) The expulsion of members.
- (4) Complaints by individual members against either Committee.
- (5) The fixation of the maximum borrowing capacity of the Society.
- (6) The fixation of the maximum normal credit of each member.
- (7) The Registrar's yearly audit report.
- (8) The balance-sheet.
- (9) The entry into a Union of Co-operative Societies.

41. At least half the members shall be necessary to form a quorum for the General Meeting and no business shall be transacted at any General Meeting unless a quorum is present, except as provided in Bye-law 47. As regards any question the opinion of the majority shall prevail. In case of equality of votes the Chairman shall have a casting vote.

42. General meetings shall be of two kinds, ordinary and extraordinary.

43. Ordinary General Meetings shall be held at least four times every half-year in July, October, January and April on such date and at such place as may be determined.

44. The Committee of Supervision may, whenever they think fit, and shall upon a requisition in writing signed by ten or more members not in default to the Society, convene an extraordinary General Meeting.

45. Such requisition made by the members shall be addressed to the Chairman. It shall expressly state the object of the meeting proposed to be called, and shall be left at the registered office of the Society.

46. Notice of ordinary General Meetings shall be sent to all members of the Society, if amendment of the bye-laws is proposed, at least fifteen days, and in other cases at least seven days, before the holding of such meetings. Notice of extraordinary General Meetings shall be sent fifteen days before. The notice shall set forth clearly the subjects for discussion and the resolutions to be proposed, and no other subject shall be discussed without the express permission of the Chairman.

47. If, at the hour fixed for the meeting, a quorum is not forthcoming, the Chairman shall, if the meeting has been called on the requisition of the members, dissolve it. If otherwise convened, the Chairman shall postpone the meeting to a date at least seven days and not more than

two weeks ahead, and the business to be transacted at such postponed meeting shall be the same as, and no other than, that proposed for the original date of meeting. At such postponed meetings, resolutions excepting resolutions to amend the bye-laws may be carried by the majority of two-thirds of the members present without regard to the number required to form a quorum.

48. When the Society desires to join a Union of Co-operative Societies a General meeting shall be held and a resolution be passed and and recorded in the minute book to the effect that the Society will join the Union, if admitted. The signatures of the Chairman and two members of the Committee of Management in the Union Register of Members shall then bind the Society to fulfil the obligations undertaken under the Union Bye-laws.

49. Two auditors, who shall not be members of the Committee of Management shall be elected for the ensuing half-year at each half-yearly Ordinary General Meeting whose duties shall be to investigate the accounts of the Society, examine the books monthly and sign them, if correct, and if they be found incorrect to report to the Chairman. They shall examine the balance sheet drawn up, and report whether it exhibits a true and correct view of all affairs of the Society.

The Committee of Supervision. 50.—The Committee of Supervision shall consist of not fewer than six members to be elected annually by the General Meeting in July.

A member shall be deemed to have vacated his post if without good reasons he attends no meetings for a consecutive period of three months.

Three members shall form a quorum.

Pending an election to fill vacancies at the General Meeting next following, vacancies in the elected members shall be filled by co-option.

The Chairman of the Society shall be the Chairman of the Committee of Supervision. In his absence the Committee of Supervision shall elect a Chairman for the meeting.

The Chairman and members of the Committee of Supervision shall be removable during their term of office only by a two-thirds majority of the members present at a General Meeting.

It shall hold a meeting once in the first ten days of each month, and oftener, if summoned by its Chairman.

It shall allot shares and sanction the transfer of shares (Bye-law 7) and shall at each monthly meeting examine the Cash Book, Loan and Deposit Ledgers, Savings Bank Ledger and such other books and

papers as it may think fit. It shall satisfy itself that business is being conducted with punctuality and in accordance with the bye-laws and the Co-operative Societies Act and Rules.

It shall generally supervise and give directions subject to the control of the General Meeting regarding the work of the Society. The Committee of Management shall be bound to obey such directions.

51. The Committee of Management shall consist of five members elected annually by the General Meeting in July including the Secretary of the Society and a Treasurer who shall be appointed by the General Meeting.

The members shall retire in turn one at the end of each year; provided that the Committee of Supervision with the consent of the Registrar may remove any member of the Committee of Management, and may fill any vacancy which may occur by appointing a member to hold office until the next General Meeting.

The Committee of Management shall meet as often as the business of the Society may require and at least twice a month.

Two members shall form a quorum.

The Committee of Management shall conduct the business of the Society subject to the control of the General Meeting and to such directions as may be given by the Committee of Supervision.

The Committee of Management shall—

(1) issue share certificates on completion of share payments (Bye-laws 7, 10 and 18).

(2) disburse loans (Bye-laws 26 to 39);

(3) accept deposits within the limit imposed by the Registrar (Bye-laws 24 and 25);

(4) be responsible for the regulation of expenditure;

(5) subject to the consent of the Committee of Supervision appoint and fix the salary of the clerical and menial establishment;

(6) prepare in July an Annual Balance sheet and submit it with proposals for the disposal of profits to the August General Meeting;

(7) prepare a Balance Sheet at the end of each half-year (30th June and 31st December) which shall be submitted to the Registrar;

(8) submit to the Registrar every fortnight a statement of ledger balances and such other returns as the Registrar may require.

52. No member of the Committee of Management shall attend the discussion upon or vote on any application for a loan in which he himself is interested as borrower or surety,

53. The Committee shall be responsible in all its acts to the General Meetings of members, and shall keep all necessary books and accounts at the registered office of the Society.

54. The members of both the Committees shall work gratuitously but, if necessary, the Secretary may be given such remuneration as the Committee of Supervision may fix. Expenses actually incurred for stationery, and such like, shall be debited to the Society.

55. The following books shall be kept :—

- (a) List of Members
- (b) List of Shares
- (c) Cash-book
- (d) Register of Loans
- (e) Register of Deposits
- (f) Demand Register
- (g) Minute Book
- (h) Register of maximum normal credits of members
- (i) Inspection Note Book,

and such other books and accounts as may be prescribed by the Registrar. All resolutions of the General Meeting and of the two Committees shall be recorded in the Minute Book.

56. All receipts and documents must be signed by two members of the Committee of Management on behalf of the Society and their signatures shall bind the Society.

Profits and Reserve Fund.—57. Of the net profits accruing each year ending 30th June as declared by the Registrar in July—at least 25 per cent shall go to the Reserve Fund.

The balance or such less amount as the General Meeting thinks fit may be paid as dividend to share-holders rateably to their shares, provided that no dividend shall be paid from profits accruing in the first two years.

The balance, if any, shall be credited to the Reserve Fund.

58. The Reserve Fund consists of—

- (a) One-fourth net profits annually credited to it.
- (b) The premium paid by new members on shares.
- (c) Fines.

59. The Reserve Fund is formed primarily to provide a margin beyond the liabilities of the Society to ensure its ability to pay such liabilities in full in case of dissolution.

Where the Society is affiliated to a Central Bank and has made arrangements with such Central Bank whereby the Central Bank guarantees to provide funds to repay to depositors at due date sums deposited with the Society, the Society may use its Reserve Fund in loans to members.

Where no such arrangement has been made with a Central Bank the Society shall invest its Reserve Fund in the Post Office Savings Bank or in the Upper Burma Central Bank Savings Bank at call.

60. The Reserve Fund shall be one and indivisible. It belongs to the Society as a whole. No member can claim a specified share in it. It shall not be written down except with the Registrar's sanction.

61. In the event of dissolution the balance of the Reserve Fund after all liabilities have been discharged shall be paid as a dividend upon the fully paid-up shares of such members as are still in the Society at the date of dissolution or, if no shares have yet been fully paid up, in such manner as the Registrar may approve.

Dissolution. 62.—Dissolution shall only be effected according to sections 39, 40, 41 and 42 of the Co-operative Societies Act II, 1912.

Disputes.—63. (1) Every dispute, other than disputes already provided for in these bye-laws, between the Society or an officer thereof and—(a) a member or person claiming through a member or under the rules of the Society, and (b) any person aggrieved who has not for more than one year ceased to be a member of the Society, or any person claiming through such person aggrieved, shall be referred to the Registrar for decision or reference by him to arbitration.

General.—64. The books of the Society and copies of the Act, Rules made by Local Government thereunder, the bye-laws of the Society and the last audit report and balance sheet shall be kept open to inspection by members free of charge at all reasonable hours at the registered address of the Society.

65. Each member shall have a pass book which shall be written up from time to time by the Secretary.

Audit and Supervision.—66. The Society shall subscribe, by way of fee or rate or otherwise, such sums as may be fixed by the Registrar, in consultation with the Union, if there be a Union, towards (1) its audit and (2) supervision.

67. These bye-laws are supplementary to the provisions of the Act and Rules thereunder, and the Society will be guided by the Act, Rules and Bye-laws read together.

Societies for Salary-Earners.—

The Special Circumstances of Salary-Earners.--Agricultural co-operative societies can be started without much risk because the members have their lands, houses, and cattle to offer as security. Also being neighbours and residents in one village, they know each other well and are therefore willing to undertake joint unlimited liability. In towns fewer persons own immovable property, and owing to the greater population there is less mutual knowledge. Accordingly, co-operative societies are usually started with a limited liability and a share capital. This share capital is subscribed by the members themselves out of their savings, and is the guarantee fund on the security of which deposits and loans are obtained from the public. The scheme is convenient enough for artisans, small traders, and professional men who have some working capital of their own out of which they can afford to buy a share or two. But it does not suit the large class of salary-earners, whether employed by private firms, Government departments, or railways, who are drawing a fixed monthly rate of pay and have rarely any accumulated capital on hand. If the wage-earner has not more than Re. 1 or Rs. 2 left over after he has paid his monthly bills, it will be a long time before he can manage to buy a Rs. 10 share in an ordinary co-operative society.

A salary-earner is in a difficult position, because he has no security to offer to his creditors except his prospect of remaining in his post and drawing his pay. Death or dismissal would deprive him of his livelihood. Transfer might remove him beyond the reach of a convenient court. Any one who lends money to him has these risks before his eyes, and charges proportionately higher rates of interest. He needs loans for medical attendance, marriages, obsequies, &c. as much as any one else. But he has to pay more for the accommodation. When he once gets into debt, therefore, he

often finds it very difficult to get out of it again and to make a fresh start. With regard to savings, men regularly employed by private firms have often no provident fund in which to invest. Banks despise the humble rupee or two which is all that they can afford to lay by monthly, and without the wholesome compulsion of a definite fund system they find it difficult to save at all.

Co-operative Societies for Salary-Earners.—These general considerations determine the special form which Co-operative Credit Societies for Salary-earners must take. First of all the society must be based on thrift, because that is the ultimate foundation of all credit, and thrift implies that every member shall make monthly savings from his pay in proportion to his means. This is provided for by the system of subscription explained in by-law 13, which is enforceable by expulsion for default under by-law 11 (6). In return for his monthly subscription the member will be given a receipt ticket, and as soon as he holds tickets worth Rs. 10, may convert them into a fully paid-up share worth Rs. 10, ranking for dividend from the date of the first subscription. This conversion is necessary, because an employees' society will ordinarily be one of limited liability, and must therefore possess a paid-up share capital in order to secure public credit. But, as has been already pointed out, most salary-earners are in debt before they join the society, and if the society is to be of any use to them it must start by redeeming their old debts. The terms on which such loans may be made are explained in by-laws 40, 41 and 42. The committee will fix the monthly instalments of repayment (not exceeding 30) according to the means of the borrower. It would be a hardship to call on members to continue to pay in their subscriptions and to convert them into shares at (say) 6 per cent, while they are paying (say) 12 per cent for the loan which they have taken from the society. Therefore as soon as they have collected receipt

tickets worth Rs. 10, they have the option of applying the sum to the extinction of the debt due to the society over and above their ordinary instalment, instead of buying a share if they prefer it. These are the main special features which are recommended to adapt co-operative credit to the needs of salary-earners.

Formation of a Salary-Earners' Society.—If the need of a society on the above model is admitted the first step is for a few promoters to come together and to discuss the project. Salary-earners are subject to a more strict discipline than the ordinary public and therefore it is often prudent to add weight to the committee by securing the adhesion of one or two employers or heads of offices. This is particularly necessary when, as is often the case, the society is confined to a single firm or department. The knowledge that their chief is taking part in the society does much to keep members up to the mark. Such men will not usually consent to stand for election on the same plane as their own subordinates, and therefore provision has been made in by-law 29 for their service ex-officio. In some cases they may agree to allow recovery of advances by the society through the pay-bills, and this greatly decreases the risk of default. But even when this cannot be arranged, the head of the office may promise to help in bringing pressure to bear on recalcitrant debtors. Official support having been secured, the next step is to secure about 40 other respectable employees who are ready to become members and to take up shares. The society will probably want a good deal of capital to start with, in order that it may at once take up debt redemption. This can only be obtained from outside, provided that there is a fair amount of paid-up share capital to serve as a basis of credit. Therefore a nucleus of substantial men who will take up 5 or 10 shares each is desirable. In admitting humbler members the promoters should be more careful, because their real security,

as a rule, is poor, and the society will have to rely to a large extent on their general character for honesty and thrift. Where a service is scattered over a wide area, it should be considered whether means are available for remitting subscriptions and instalments to the head office, and whether sub-committees will be required. After these enquiries the promoters should hold a preliminary meeting and should discuss and make any changes they think desirable in the model by-laws.

The difficulties which beset co-operative societies for employees are, firstly, the transfer of members from place to place in a big business or department, and, secondly, the fact that even on the Committee the members are unable to meet on a footing of equality. It is impossible for them, since they all belong to one service, to forget, in conducting the business of the society, their relative official positions outside it, and in this way influential or highly-placed members are able to secure excessive loans for themselves or their friends, and by recusancy in the matter of repayment may seriously embarrass a committee composed largely of their subordinates. It makes for better management if the head of the office, whether a member or not, can watch over the society, and if arrangements can be made by a provision in the by-laws for the recovery of loans by deduction from monthly salaries. The Maclagan Committee suggest that it would often be possible for such societies to encourage thrift, to provide themselves with an improved security, and to simplify their account, if they required all members, as a condition of membership, to insure themselves in the Post Office Insurance Fund.

Such salary-earners' co-operative credit societies have been largely formed among the employees in mercantile and railway offices. All the societies in Calcutta with the exception of the Anglo-Indian Society fall under this class and the

most prominent are the East Indian Railway Society and the Bengal-Nagpur Railway Urban Society of which the former was started in the year 1912. The objects of the society are to raise funds by means of issuing shares and by borrowing, and with such funds to assist share-holders in times of difficulty, and to encourage thrift and co-operation among all. Any employee of the E. I. Railway Company drawing a monthly pay of Rs. 15 or over and being above the age of 18 years is eligible for membership of the society. The number of members at present (1916) is 3068 and the working capital consisting of share capital (Rs. 1,95,901) and deposits (Rs. 2,90,129) is Rs. 4,86,030. The successful working of the bank is well attested by the fact that it was able to declare a dividend of 7 per cent last year. A similar society has recently been started among the employees of the Assam-Bengal Railway.

In Bombay there are 12 societies of the above type. The two largest are the Great Indian Peninsula Railway Employees' Society with a membership of 5,733 and a working capital of Rs. 4,24,750 and the Bombay, Baroda and Central India Railway Co-operative Society with a membership of 4,074 and a working capital of Rs. 2,11,645. The management of both these societies is controlled from head-quarters, and recoveries of loans made from the members' pay-bills. The Central Telegraph Office Society of Bombay has a membership of 204 and a working capital of Rs. 13,980. The Bombay Postal Society registered two years ago has now a membership of 344 and a working capital of Rs. 9,685. The spirit and management of all these societies is excellent. They owe much to the personal interest bestowed on them by their official chiefs.

**BY-LAWS OF THE EMPLOYEES' CO-OPERATIVE CREDIT
SOCIETY, LIMITED.***

I.—Preliminary.— 1. The name of the society is _____ Limited, and its registered address shall be _____.

Any change of address shall be notified to the Registrar within 14 days and published in a local paper.

2. The first meeting of the members after registration shall have the same powers as are herein given to the Annual General Meeting.

3. The objects of the society are to encourage thrift by enabling members to save part of their income in a safe and convenient way with the prospect of a fair profit, and to prevent indebtedness by making loans available on reasonable terms.

II.—Funds.— 4. Funds may be raised—

- (1) by subscriptions and shares,
- (2) by loans and deposits,
- (3) by donations and entrance fees.

5. The amount of capital to be raised by the sale of shares shall not exceed Rs. . The nominal value of each share shall be Rs. 10.

6. Deposits and loans may be received for fixed periods or upon current account, at such rates of interest and to such an amount as may be determined by the Managing Committee : provided that the total of loans and deposits shall never exceed eight times the subscribed share capital, plus the reserve fund.

7. The funds of the society when not utilized shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of the Co-operative Societies Act.

III.—Membership.— 8. No person shall be a member unless—

- (1) He is permanently employed in—.
- (2) His written application for membership has been approved by an absolute majority of the Managing Committee.
- (3) He has paid an entrance fee of rupee 1.
- (4) He has either purchased at least one share or paid his first monthly subscription under By-law 13.

Members who signed the original application for registration are exempt from By-law 8 (2).

9. Every duly elected member shall sign his name in the roll of members, undertaking thereby to abide by the By-laws of the society, and to accept the rights, obligations and responsibilities of membership as defined in those By-laws.

10. Any member may withdraw from the society at any time after giving two months' notice to the Managing Committee, provided that he is not in debt to the society or surety for another member who is in debt to it.

11. A member of the society may be expelled by a vote of General Meeting—

- (1) if he is a persistent defaulter ;
- (2) if he wilfully deceives the society by false statements ;
- (3) if he is bankrupt or legally disabled ;
- (4) if he is criminally convicted ;
- (5) if he intentionally does any act likely to injure the credit of the society ;
- (6) if he fails for three successive months to pay his monthly subscription.

Expulsion may involve the forfeiture of all shares held by him.

12. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion ; or
- (4) on the transfer of forfeiture of all the shares held by him ;
- (5) when he ceases to be in the permanent employment of—

IV.—Shares and Subscriptions.—13. Every member shall be required to pay to the society a monthly subscription at the following rates :—

PAY.	SUBSCRIPTION.
Rs. 1 to 15	... Rs. 0-8
„ 16 to 40	... „ 1-0
„ 41 to 80	... „ 3-0
„ 81 to 100	... „ 4-0
&c.	&c.

In exchange for each subscription paid, he will receive a printed receipt ticket. As soon as he has acquired tickets worth Rs. 10 he may produce them before the Secretary, who will cancel them and issue to him a share certificate for one Rs. 10 share. The certificate will be dated and will rank for dividend from the date of the payment of the first

subscription. If a member prefers, he may use the subscription tickets, as soon as their accumulated value is not less than Rs. 10, for the purpose of paying off any debt owed by him to the society.

14. In addition to the shares purchased from the monthly subscriptions any member is at liberty to apply to the Managing Committee for further shares and to pay for them in a single cash payment.

15. The liability of a member is limited to the nominal value of the shares held by him.

16. A member may transfer his share or shares, after holding them for one year, to another member, with the approval of the Managing Committee. The transfer is not complete until the name of the transferee has been entered in the Share Transfer Register, and such fee as the Managing Committee may prescribe has been paid.

17. A share certificate bearing a distinctive number shall be issued for share subscribed.

18. In the event of membership ceasing under By-law 10 or 12, the par value of the shares held by a member after deducting any amount due by him to the society shall be paid to him within 6 months from the date of the cessation of membership.

19. Any member of the society may by a writing under his hand deposited with the society nominate any person (other than a servant or officer of the society) to whom the whole or any part of his interest in the society should be transferred in the event of his death. A fee of two annas will be charged for recording such nominations and any subsequent revocation or variation.

20. On the death of a member the amount standing to his credit by way of shares or dividends or subscriptions shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him, or in the absence of such nominee, to such person as may appear to the committee to be entitled to receive the amount as heir or legal representative of the deceased member on his executing a deed of indemnity to the society. The deposits of the deceased may be withdrawn by such heir, only if the period of deposit has expired.

V.—General Meetings.—21. The Annual General Meeting shall be held during the month of April.

22. The functions of the Annual General meeting are—

- (1) to elect a president for the ensuing year, whose duty shall be to preside at General Meetings, to supervise the administration of the society generally, and to summon through the secretary general meetings whenever necessary;

- (2) to appoint persons to audit the accounts of the society during the ensuing year and to fix their remuneration ;
- (3) to elect four members of the Managing Committee for the ensuing year and to appoint a secretary and any other officers that may be required and to fix their remuneration ;
- (4) to receive from the Managing Committee the balance sheet of the last year and to sanction the distribution of the profits ;
- (5) to consider any communication or audit memorandum that may have been received from the Registrar or any other business duly brought forward ; and
- (6) to consider appeals against the orders of the Managing Committee, and generally to exercise supreme authority in any matter relating to the work of the society.

23. A Special General Meeting can be summoned by the President or by a majority of the Managing Committee, or on a requisition from the Registrar, or from the twenty-five ordinary members. It shall be the duty of the President to call such a meeting.

24. In the case of an Annual General Meeting 14 days' notice, and in the case of a Special General Meeting 7 days' notice, shall be given. The notice shall specify the date, hour, and place of the meeting and the business to be transacted.

25. With the permission of two-thirds of the members present at a General Meeting, any member may bring forward a proposal not mentioned in the notice convening the meeting, provided that such proposal does not relate to the expulsion of a member or the alteration of a By-law.

26. The President shall have a casting vote in addition to his ordinary vote.

27. A member owning one to five shares shall be entitled to one vote, 6 to 10 shares two votes, 10 to 20 shares three votes, 20 to 50 shares four votes, and more than 50 shares five votes. Any member may appoint another in writing to vote for him as his proxy.

28. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a general meeting. If there be no quorum the meeting shall be adjourned for at least 7 days, and at the adjourned meeting the business of the original meeting shall be disposed of, whether there is a quorum or not.

VI.—Managing Committee. 29. The management of the society shall be carried on by a Managing Committee, consisting of three members holding office ex-officio, namely, (1)

(2)

(3)

, and 4 members

elected at the Annual General Meeting. The Chairman of the Committee shall be the President elected under By-law 22 (1). The Committee may elect its own Vice-Chairman. Each member shall have one vote.

30. Subject to the By-laws and the resolutions passed at a General Meeting the Managing Committee shall have full authority to carry on the business of the society. It shall meet for the transaction of the business not less often than once a month. Four members shall form quorum.

31. Vacancies among the elected members of the Managing Committee from death or any other cause shall be filled up at the next ensuing General Meeting by election.

32. A Committee minute-book shall be maintained by the Secretary, in which the names of members present and the proceedings at each meeting shall be recorded. It shall be open to the inspection of all members.

33. No member shall be present or vote on any matter in which he has a personal interest.

34. The powers of the Managing Committee shall be—

- (1) to admit new members ;
- (2) to appoint, suspend, fine, or dismiss all salaried servants of the society, subject to an appeal to the General Meeting.
- (3) to appoint sub-treasurers for collecting subscriptions at local centres ;
- (4) to hear and deal with complaints ;
- (5) to deal with applications for loans ;
- (6) to supervise and check the accounts ;
- (7) to enquire into and take action in cases of default ;
- (8) to prepare annual balance sheets ;
- (9) to raise loans and deposits on such terms as may be decided upon ;
- (10) to institute, defend, or compromise legal proceedings ; and
- (11) generally to conduct the business of the society.

35. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

36. It shall be the duty of the auditors appointed under By-law 22
(2) to audit the accounts and documents of the society quarterly, and of the Managing Committee to produce all the requisite books for their

inspection. This audit shall be in addition to the audit made by the regular staff of the Registrar.

37. The services of all the members of the Committee shall be gratuitous. The Chairman and Vice-Chairman are ineligible to receive loans from the society.

38. The Managing Committee shall control the Secretary, whose duties shall be—

- (1) to carry on the correspondence of the society and to maintain all its books, accounts and registers ;
- (2) to receive applications for loans, withdrawals of deposits, &c. and to lay them before the Managing Committee ; and to prepare receipts and vouchers ;
- (3) to receive and disburse money on behalf of the society under the orders of the Managing Committee ; and
- (4) to attend to all other business entrusted to him by the Managing Committee.

VII.—Loans. 39. Any member wishing to obtain a loan shall forward to the Secretary an application, stating amount required, purpose, surety or security offered, and period of repayment desired.

40. Members are entitled to receive loans equivalent in amount to the paid-up shares held by them without any surety. A loan may also be granted to any member up to ten times the value of his paid-up shares, subject to a maximum limit of Rs. 1,000, at the discretion of the Committee.

Provided that it shall be at the discretion of the Managing Committee to lend once only, irrespective of the limit contained in this By-law, on first admission, a sum which in the opinion of the Committee will suffice to pay off an existing debt contracted prior to admission into the society.

41. Loans shall ordinarily be repayable in 6 or 12 monthly instalments. But the Committee have authority to extend repayment over a longer period limited to thirty months, if necessary. Meanwhile the usual monthly subscriptions must be paid in addition to the instalments.

42. Loans shall be made on the personal security of the member borrowing and that of two sureties who shall be members, or on a mortgage of unencumbered immovable property, or on the security of the amount standing to a member's credit by way of shares and subscriptions, or on the assignment of an insurance policy the surrender value of which covers the loan, or with one surety, provided that the loan is less than Rs. 50 or one month's pay, whichever may be greater,

43. Interest on loans shall be $12\frac{1}{2}$ annas per cent. per month (equivalent to $1\frac{1}{2}$ pies per rupee, and to $9\frac{1}{2}$ per cent. per annum). Loans taken before the 16th of a month will bear interest for the full month, and on or after the 16th, no interest for that month. The General Meeting shall have power to alter the rate of interest.

44. On overdue loans interest shall be charged at 18 per cent. per annum from the date of default.

45. When a member takes a loan from the society or becomes surety under By-law 42 he shall undertake not to resign service in the Department until his liability is discharged.

Company

46. It is the duty of the Managing Committee to take action for the recovery of overdue loans. The Committee shall be liable jointly and severally for any loss befalling the society on account of any loan or instalment which has been overdue for more than six months without its permission, unless in that period a suit has been filed or the case referred to arbitration.

VIII.—Deposits. 47. Deposits may be received at any time either in current account or for a fixed period. A pass book shall be supplied to each depositor, in which interest shall be credited on production half-yearly on April 1st and October 1st.

48. After the period of a fixed deposit has expired interest shall be paid on it at current deposit rates, unless the deposit has been accepted by the Committee for a further fixed period.

IX.—Distribution of Profits. 49. The distribution of profits shall be decided on at the Annual General Meeting. The balance remaining after carrying 25 per cent. to reserve, and paying a bonus, if any, to office-holders, shall be available for paying a dividend on shares. Dividends will be added to member's subscriptions, unless any member applies to have his dividend paid to him.

50. The dividend shall not exceed per cent. until the maximum lending rate to members has been reduced to per cent. .

X.—Reserve Fund. 51. In addition to the sum prescribed under section 33 of the Act, all admission fees and receipts on account of forfeited shares, fines and donations, shall be carried to reserve.

52. Not less than half the reserve fund shall be deposited with some outside society or bank approved by the Registrar.

53. Any loss on the year's working may, with the previous sanction of the Registrar, be made good from the reserve fund,

XI.—Accounts and Records. 54. Accounts and records shall be maintained in the forms prescribed by the Registrar, with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign share certificates on behalf of the society.

55. Any member of the society may inspect any of the registers or records during office hours so far as they relate to his own business transactions.

56. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the previous year. A copy of these statements shall be supplied to the Government auditor.

XII.—Amendment of By-laws. 57. Subject to the rules framed by the Local Government, By-laws can be amended, provided that notice of the amendment has been given to the Registrar, the Collector of the District and the members at least 10 days prior to the meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Societies for poor castes.—

Indebtedness is also chronic with the poorer castes such as mill-hands, masons, drivers, cobblers, scavengers and sweepers and domestic servants. The efforts of the Servants of India Society, Poona, and the Debt Redemption Committee, Bombay, in introducing co-operation amongst these classes have met with most encouraging results. After a careful study of the conditions under which this class of people lives the members of the Servants of India Society came to the conclusion that there was no hope of reclaiming them except by improving their economic condition. With this object three societies amongst this class of men were started in 1913 and the results attained so far are full of promise. In two and a half years 14 co-operative credit societies have been formed. As a rule membership of a particular society is confined to persons living within a definite neighbourhood and belonging to the same caste or following the same occupa-

tion. Members are required to subscribe by instalments for one or more debentures, and are encouraged to deposit their monthly savings in the society. The society raises further capital by means of loans or deposits from non-members and as soon as possible liquidates the debts of its members. Lectures on thrift, temperance and co-operation form a special feature of the scheme. The societies are supervised by paid inspectors. Government have made a grant of Rs. 500 per annum for 3 years to assist the work. The total membership of the 14 societies stood at about 400 of whom the majority have been redeemed entirely from debt to usurers, the average debt of each workman being Rs. 300. Their debts to the extent of Rs. 1,10,000 to usurers have been reduced to Rs. 87,944 by conciliation and transferred from usurers to the co-operative societies. At the same time the rate of interest has been reduced from roughly an anna in the rupee per month to a pice. The societies have advanced Rs. 87,944 for repayment of prior debts : of this total the members have discharged Rs. 40,083 in two and a half years. These societies have reduced indebtedness by nearly one-half and on the balance they are paying quite a reasonable interest. The members who have borrowed from the societies for debt redemption have insured their lives, and 247 insurances for Rs. 250 each have been effected. A co-operative dispensary has been established and night schools have been set up. The example of Bombay might with advantage be followed in the large cities and mill-towns of India specially in Calcutta and Howrah where the lower municipal employees and the mill-hands are under the firm grip of the merciless Kabuli money-lender : but wherever such societies are to be started, in their early stages they need constant help and guidance which can best be supplied by some philanthropic individual or social agency. The work well repays its originator, for, as a rule, these classes show themselves very

amenable to co-operative ideas and anxious to learn. To their credit it must also be said that they are generally most honest and punctual in their repayments. Since the members, owing to their depressed condition and lack of education cannot hope to manage their own business without long training, specially in the matter of account-keeping, the MacLagan Committee think that the support of the clerical staff of these societies is an object for which grants might suitably be given by Local Government on very much the same grounds as justify grant to other philanthropic institutions.

CHAPTER XII.

AGRICULTURAL NON-CREDIT CO-OPERATIVE SOCIETIES.

Among agricultural societies for purposes other than credit the leading types are—Agricultural Sale Societies, Cattle Insurance Societies, Agricultural Supply Societies, including Manure Supply Societies, Implement Supply Societies and Seed Societies, Fishermen's Co-operative Societies, and Co-operative Dairy Societies.

I. Agricultural Sale Societies—

The object of these Societies is to assist the members in the disposal of their crops and the products of agricultural industry carried on by them and to enable the members by means of joint sale to obtain better value for their crops and produce. There are at present 52 such societies in Burma, where they combine wrongly, we think, with credit business, the sale of paddy and ground-nuts on behalf of their members direct to wholesale dealers at Rangoon. The establishment of such societies had rendered possible the elimination of unnecessary middlemen. The result was that profits, which previously went to these middlemen, became available for division between the agriculturist, the merchant and the ultimate consumer. The removal of such agents as were merely parasitic meant more rapid business, a quicker turnover, and a better understanding between the wholesale purchaser and the producer of the crop. We are, however surprised to read in the latest Burma Report that "the experiment of direct sale of paddy by societies to Rangoon mills had not had encouraging results and was not continued." The societies were dissatisfied with regard to measure and

payment. The millers were unable, it is understood, to undertake purchase by weight which would prevent the present causes of dissatisfaction on the part of sellers.

Such co-operative sale societies are, however, what Bengal most requires, because at present the agriculturists do not get the full value of many of their crops. "Jute at once suggests itself as a subject for experiment. It does not require much imagination to realize the benefits which co-operative methods in the sale of jute can confer on the people, but at present the speculative element in the trade keeps it outside the range of practical politics. The question is, however, worth considering. Something ought also to be done with cereals and with expensive local crops like cardamom. An experiment in the joint sale of cardamom was made last year in Kalimpong which had a great effect in raising the price". These remarks occur in the Bengal Report of 1911-12. Since then co-operative sale of cardamom has been experimentally tried, but many difficulties have stood in the way of its success. The subject of the co-operative sale of jute has recently come to the fore, but nothing has yet been done in view of the present disturbing elements in the jute trade.

It would not be out of place here to point out that the co-operative sale of agricultural produce, as distinguished from the sale of articles co-operatively produced, has not made great progress in Europe.

Co-operative sale on the general market in large quantities is practically confined to two classes of products—poultry and eggs, and corn. The former has been successful in Denmark. There the market catered for is a foreign one and success is due to the centralization of the system (all the local societies being little more than buying agencies), to the genius of the Danes for co-operation, to their loyalty to the central organization and scrupulous observance of its rules. The joint sale of corn is confined to Germany. The market

is at their doors, but it is only after many years and frequent failures that a moderate measure of success has been achieved. It may be noted here that such undertakings in Germany have always received overlavish financial assistance from Government. France (by means of its Agricultural Syndicates) and other countries have also attempted co-operative sale with not very encouraging results. Their want of success is due partly to the fact that their organization cannot or do not enforce definite rules on their members and cannot command the whole of their produce, the worst of the crop being often foisted upon them which brings discredit, and makes advance contracts impossible.

BY-LAWS OF THE AGRICULTURAL SALE SOCIETY, LIMITED*.

Name, Office and Objects. 1. The Society which is registered under the Co-operative Societies Act, II of 1912, shall be called "The . . . Co-operative Agricultural Sale Society, Limited."

2. Its registered office shall for the present be at . . . post office . . . , thana . . . , subdivision . . . , district . . . In the event of any change in the situation of the registered office, notice of such change shall be sent to the Registrar of Co-operative Societies, Bengal.

3. The object of the Society is to assist the members in the disposal of their crops and the products of Agricultural Industry carried on by them and to enable the members by means of joint sale to obtain better value for their crops and produce.

Membership. 4. Membership of the Society shall be open to all persons who are members of any of the Co-operative Societies which are affiliated to . . . Central Bank.

Election of Members. 5. Every person desirous of becoming a member shall apply to the Board of Directors who may elect him as a member or refuse his application. As soon as a member is elected, he shall subscribe shares according to the rules of the Society and pay an

* Issued from the office of the Registrar of Co-operative Societies, Bengal.

entrance fee of The widow, legal heir, or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

Cessation of Membership. 6. A member shall cease to be a member of the Society if he ceases to be a member of any of the Societies in (affiliated to the); or if he is expelled from the Society, or if he transfers all his shares according to the rules of the Society.

Suspension and Expulsion of Members. 7. The Board of Directors may fine, suspend or expel a member—

- (1) for any breach of these by-laws or of the rules of the Society;
- (2) for being in default to the Society;
- (3) for any conduct proved to their satisfaction by which he may weaken the credit of the Society or bring it into disrepute.

All such cases shall be reported to the next General Meeting for confirmation.

Capital. 8. The nominal Capital of the Society shall be which shall be divided into shares of the value of Rs. 10 each to be subscribed by the members only.

9. To carry on its work the Society may contract loans by way of deposits or otherwise provided that the total amount of liability shall not exceed five times the value of the subscribed shares.

Liability of Share-holders. 10. (a) The liability of the share-holders for the debts of the Society shall be limited to the nominal value of the shares held by them.

(b) The liability of a past member to the extent mentioned in clause (a) for the debts of the Society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date he ceased to be a member.

(c) The estate of a deceased member shall be liable to the extent mentioned in clause (a) for a period of one year from the time of his decease for the debts of the Society as they existed at the time of his decease.

Rules regarding Shares. 11. The General Meeting may from time to time determine the number of shares that each member shall hold, but no member shall hold more shares than represent a maximum of one-fifth of the subscribed share capital of the Society, nor hold more shares than represent a nominal value of Rs. 1,000.

12. For every share Rs. 5 shall be subscribed and the balance shall represent the reserve liability of the shareholders to be paid either in whole or part, should the assets at any time be found unequal to meet the liabilities of the Society. The required payment on shares shall be made either in one lump or in such instalments as may be fixed by the Board of Directors.

13. Interest at the rate of per cent. per annum shall be levied on all deferred payments of share calls from the date on which the calls fall due.

If the payment on account of shares remains unpaid for more than three months, the Board of Directors may declare such shares forfeited together with all payments made thereon and the rights of membership attaching to those shares extinct. Such shares may be renewed within a period of three months from the date of the notice of forfeiture on payment of all arrear amounts, including interest and a renewal free of per share.

14. In the event of cessation of membership on any grounds other than death or default of share payments, the net value of the share or shares held by a member after deduction of the member's dues to the Society shall be paid to the member within six months from the date of cessation.

15. In the case of the death of a member, his shares may be transferred to the person nominated in accordance with the Co-operative Societies Act, or, if there is no nominee, to such person as may appear to the Committee to be the heir or legal representative of the deceased member, provided that such nominee, heir or legal representative, as the case may be, is eligible for membership or on his application within one month of the death of the deceased member to any person specified in the application who is so eligible, otherwise the amount actually paid by the deceased member on the shares shall after deduction of his dues to the Society be paid to the nominee, heir or legal representative, as the case may be, within six months from the date of the death of the member and the Society shall thereupon be absolved of all liability in respect of such money.

16. Shares may be transferred with the approval of the Board of Directors to a member or to a person who is eligible for admission and whom the Board of Directors is willing to admit as a member. Transfer of shares to non-members shall not be permitted.

17. Shareholders shall be entitled to certificates under the common seal of the Society specifying the share or shares held by them. If such

certificates are lost or worn out they may be renewed on a payment of.....

Conduct of Business. 18. The Society shall build such sheds or godowns as may be necessary and may from time to time acquire lands for the purpose.

19. Every member dealing with the Society shall be bound to carry out such instructions and rules as may from time to time be prescribed by the Board of Directors with regard to grading according to the quality and size of products made over to the Society for sale.

20. When a member brings in his produce, he shall be granted a receipt for the same and the Board of Directors may make immediate payment provided that the rate shall not exceed the market value of the produce at the time of the delivery.

21. The Society may, if it facilitates the disposal of any produce delivered by the members, purchase similar articles from non-members.

Profits. 22. The accounts of the Society shall be closed half-yearly or annually. When the accounts of the Society are closed, the net profits shall be applied as follows follows:—

- (a) 25 per cent. shall be placed to the reserve fund ;
- (b) Dividend shall be paid at a rate which not exceed $9\frac{3}{4}$ per cent. on the amount actually paid on shares ;
- (c) The balance or such portion of the balance as may be decided upon may be applied in paying a bonus to the members in proportion either to the value or amount of each kind of produce made over to the Society or in proportion to the margin of profit which the Society makes by disposing of each kind of produce.

23. The Society may also, if funds permit, pay a bonus to the employees and subject to the provisions of section 34 of the Co-operative Societies Act make contributions to charitable purposes.

General Meeting. 24. The supreme authority of the Society shall be vested in the General Meeting of all the members. The General Meeting shall be held as soon as the accounts of the Society are closed to consider the disposal of profits and to appoint the Board of Directors and other office-bearers and to transact any other general business of the Society. Extraordinary General Meeting may be called at any time by the Board of Directors and shall be called if one-tenth of the members demand it.

25. The General Meeting shall be held at a time and place which shall be duly notified at least 14 days before the date fixed. Each share-

holder shall have one vote irrespective of the number of shares held. Voting by proxy shall not be allowed except in the case of *pardanashin* ladies. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail. One-fifth of the total number of share-holders of the Society shall constitute a quorum.

26. If in the case of Ordinary General Meeting a quorum is not forthcoming, the Chairman shall postpone the Meeting to a date not less than seven days and not more than a fortnight later, and the business transacted at the postponed Meeting shall be the same and no other than that proposed for the original date of Meeting. At such postponed Meetings if a quorum is still not forthcoming resolutions may be carried by a majority of threefourths of the members or delegates present.

27. Subject to the control of the General Meeting the entire management of affairs shall vest in the Board of Directors which shall consist of not less than five members. The Board of Directors may appoint such salaried and non-salaried officers as may be thought necessary and from time to time define the respective duties of such officers.

Representation. 28. All changes creating an obligation to the Society shall be signed by at least three members of the Board of Directors, including either the Chairman or the Secretary and shall bear the common seal of the Society.

29. The conduct of the business of the Society as well as the representation of the Society as regards its business may be handed over to the individual members and also to other officers of the Society. The authority of such individual members and officers will be regulated in accordance with the powers vested in them by the Board of Directors ; in case of doubt it extends to all legal transactions which the execution of such business usually involves.

Deposits. 30. The Board of Directors may form rules subject to the direction of the General Meeting regarding the terms and conditions on which deposits shall be accepted and withdrawn, and regarding the rates of interest for various kinds of deposits, and the Board may make additions to, or alterations in, these rules from time to time.

Reserve Fund. 31. The Reserve Fund shall consist of—

- (a) twenty-five per cent. of the profits annually placed to the fund in accordance with rules ;
- (b) any sums allotted to it out of the profits or otherwise ;
- (c) entrance fees after deduction of the preliminary expenses incurred in constituting the Society ;

(d) the value of all shares forfeited to the Society and lapsed dividends.

32. The reserve fund shall belong to the Society and be indivisible amongst the members. It shall ordinarily be invested in Government securities, Post Office Savings Bank or in any co-operative institution approved by the Registrar, or in any other manner laid down in section 32 of the Co-operative Societies Act.

33. The Reserve Fund shall be available for any of the following purposes :—

- (1) To cover any losses arising from any unforeseen circumstances, such drawings upon it being reimbursed to the fund from the next accruing profits.
- (2) To meet any call on the Society which cannot be met otherwise, such payments being reimbursed to the fund when fresh collections are made.
- (3) To serve as security for any loans which the Society has to contract.

In the case of dissolution of the Society, the reserve fund shall be applied to such purpose as may be determined, with the approval of the Registrar, by the majority of the members.

Miscellaneous. 34. Every shareholder shall be supplied with a copy of the by-laws.

Dissolution. 35. The Society shall be wound up with the approval of the Registrar if three-fourths of the members present at a General Meeting specially summoned to consider the question vote for it.

Disputes. 36. Any disputes which cannot be decided by the General Meeting or by arbitration shall be referred to the Registrar, whose decision shall be final.

Special Membership. 37. Notwithstanding anything contained above any person approved by the Registrar may be admitted as a member of the Society if it is considered necessary in the interest of the Society.

General. 38. Any of these by-laws may be altered or rescinded or new by-laws may be made at a General Meeting held in accordance with the rules made by Government in this behalf and such amendment will come into force after it has been approved and registered by the Registrar.

39. The Society shall keep a copy of the Co-operative Societies Act, II of 1912, of the rules made by Government under the Act, and a copy

of these by-laws open to inspection free of charge at all reasonable times at its registered office.

40. All matters not specially provided for, shall be decided according to the terms of the Co-operative Societies Act, II of 1912, and the rules framed under section 43 of that Act.

The above are the by-laws referred to in our application for registration dated

Signatures of applicants.

II. Co-operative Cattle Insurance Societies.—

Use of Cattle Insurance.—No occupation is so liable to risks and sudden calamities, beyond the power of man to prevent, as agriculture. Crops may be destroyed by locusts, rats, blight, excessive or insufficient rain, storms or floods ; straw or grass may be burnt ; cattle may be carried off by epidemics or by other causes of death too numerous to mention. A single one of these misfortunes may make it impossible for a farmer of small means to carry on his business and bring him to ruin. It is therefore the bounden duty of a prudent farmer to guard himself by such means as he can against the risks with which he is faced. Of these none is more urgent or more disastrous in its incidence, than the loss of his cattle from whatever cause. Without plough-cattle he cannot till his land or move his produce and his whole occupation is brought to a standstill. If by any effort it were possible for him to assure that on the death of any of his cattle funds would be forthcoming to purchase another in its place, it would surely be his duty to make that effort,

Co-operative Insurance.—In western countries a method has been devised whereby some of these risks can be guarded against. Co-operative societies have been started to insure crops against hail, frost, and storms, and others to insure them against fire. The moderate success which these have gained, however, is quite overshadowed by the remarkable results of co-operative cattle insurance. In the small country of Belgium alone there were in 1909 no less than 1,142 societies comprising 1,01,709 members and insuring 2,94,583 cattle of an average value of Rs. 200 each. In France in 1910 there were 8,428 cattle insurance societies and in Germany 8,400.

Insurance is the method by which a number of owners combine to pay in advance to a society yearly sums (called permiums) sufficient at least to equal the yearly average amount of loss sustained in respect of the things assured. From the sum thus collected the society is bound to pay indemnities for any losses incurred by the members during the year. The premiums are calculated at a fixed proportion of the value of the things insured and vary according as the risk of loss is large or small. For instance, a straw hut is far more likely to be burnt down than a stone house and therefore the premium payable for it would be proportionately higher. Now it is obvious that if any five or ten persons join in paying premiums, one or two losses above the average may exhaust all the funds and bring their society to bankruptcy. But when a large number of members join, the total losses are more likely to be near the average and the position of the society is safer. For this reason no cattle society should be started unless at least 100 cattle are insured in it. But the principle of large numbers must not be extended too far, because on the other hand it is absolutely essential to keep the organisation cheap and simple and subject to easy control. The insured animals should be always under the society's eye.

to avoid any trickery and therefore the area should be small. All the cattle should be admitted only after careful examination by the expert Supervisor and should be liable to be watched. The members must be able to see that the rules for keeping cattle are regularly complied with. To keep expenses low the Supervisor must work gratuitously and therefore cannot be expected to spare time for travelling about and supervising a very large number of cattle.

Practical example of insurance.—The working of a society can be best understood by a simple practical illustration. Let it be supposed that there are 100 cattle insured of an average value of Rs. 60, and 80 of an average value of Rs. 40. This means that the total value to be insured is Rs. 9,200. If the premiums on the cattle are calculated at 5 per cent. of this value, the total annual income of the society would be Rs. 460 which is a sufficient sum to pay compensation for 11 of the Rs. 60 animals or 17 of the Rs. 40 animals, provided that only $\frac{1}{2}$ of the estimated value is actually paid as compensation. Of both classes of cattle together, compensation could be paid for 14 heads. Now if losses due to the causes mentioned in the by-laws are excluded, the death-rate ought very rarely to exceed 5 per cent. (in Europe the mortality is as low as 3 per cent.) and therefore not more than 9 cattle should ordinarily die. The unexpended balance of the premiums would remain with the society and go to the reserve fund as security against bad years and epidemics.

How to fix the premium rate.—It is obvious that the amount of premium charged will depend on the probable mortality among the cattle insured. It is therefore very necessary to estimate the death-rate as correctly as possible. In India there are no accurate and complete statistics available upon this subject and even if there were, the death rate varies so much from district to district that they would have to be accepted with great caution. Each society must

try to fix its own premium rate. In fixing the rate, the following points among others must always be taken into consideration:—

- (1) What risks are the cattle to be insured against? As far as possible, in order to prevent disappointment to insurers, all risks should be accepted, even epidemics, otherwise there is room for trickery, discontent and disputes about the real cause of death. A few special exceptions have been made in model by-law 12, but the number of exceptions should be kept down as much as possible.
- (2) What diseases are specially common? Besides ordinary non-infectious diseases, the chief epidemics that cause death among cattle in India are—
 - (a) Rinderpest—This disease kills about half the cattle which it attacks in the plains and nearly all in the hills. Therefore in hilly tracts either cattle insurance societies should not be started, or they should exclude death by this disease from the risks insured against. Where it is common, young cattle die of it more usually than old ones, and it might be well to raise the minimum age for insurance and to insist on preventive inoculation as soon as the disease appears in the village.
 - (b) Hæmorrhagic septicaemia—This disease usually attacks buffaloes, and it would be prudent to exclude them altogether from societies in places where the disease is common. The best way to stop it spreading is to clean the byres of the cattle thoroughly everyday and to provide them with clean water to drink.
 - (c) Black-quarter attacks chiefly young animals up to four years of age. Adult animals are not so susceptible except in a few notorious places and may be protected by vaccination.

Foot and mouth disease, parasites, errors of diet, accidental poisoning, famines, etc., are fair risks and societies must be prepared to cover them.

The amount of indemnity to be paid—In the case of human beings the full value insured is paid because it can always be assumed that they avoid death as far as they possibly can. The same is not true of cattle. Owners might often be tempted fraudulently to cause the death of their stock. Therefore under model by-law 27 only $\frac{2}{3}$ of the estimated value is suggested as the amount of indemnity.

Liability of members.—It may happen that the indemnities falling due exceed the capital that has been accumulated by means of premia, and this is not unlikely to happen in the early years of a society before adequate capital and reserve fund have been obtained. In such a case three courses are open. The members might introduce a by-law providing that every claimant should receive a proportionately reduced premium at the end of the quarter or that the members should be bound to make good the deficit by a contribution all round, or they might induce some charitable body or famine relief fund to guarantee to make up the sum by a contribution.

Administration.—The success of the society will depend chiefly on the ability of the supervisors mentioned in by-law 14. It is their business to inspect the animals and satisfy themselves that they are kept in sanitary condition and free from disease and otherwise eligible for insurance. They should revise their valuations half yearly. They should attest the report of the death of any insured animal. (They should not judge their own cattle or those of their relations).

The Burma Cattle Insurance Societies.—With regard to cattle insurance only two schemes have hitherto been tried, one in Coorg and another in Burma. Under the Coorg scheme the owner pays two-thirds of the value of the animal insured

to the society within 4 years by instalments of decreasing amounts. Should the animal die before the payments are complete, the whole amount insured is paid to the owner. If it survives the period, the full amount of the premia paid, but without interest, becomes payable on death or invalidity. Under the Burma system only plough cattle and buffaloes between the ages of 4 and 12 are accepted for insurance. The amount of the indemnity is two-thirds of the value of the animal as estimated by the local committee and this estimate is revised half-yearly. A premium is charged at the rate of 5 per cent. on the value of the animal. As the premia charged under the Coorg system are probably too high to be acceptable to agriculturists except in districts where cattle are very cheap, the Burma system on this account will probably be found preferable. But if it is introduced in other parts of India, local modifications of the scheme will no doubt be necessary, specially because Burma has a great advantage over other Indian provinces in that cow's milk is seldom used by the Burmese people for human consumption. Consequently the calves get all the milk and the cattle are more healthy and stronger than in other provinces. There is also plenty of grazing except in certain seasons of the year. The village and tenure systems of Burma moreover enable the villagers to prevent individuals from adopting practices pernicious to the general welfare of all the cattle in the village. The cattle insurance societies have given further stimulus to this system and sanitary measures for the protection of the cattle are adopted in every village as soon as any disease or epidemic is threatened.

In Burma the area of a cattle insurance society is ordinarily limited to one village. Membership is practically confined to the members of a credit society. (The Registrar of Burma does not consider this rule to be essential, but it has been adopted in order to minimize the chances of dis-

honesty on the part of the cattle insurance society in its dealings with the re-insurance society. Any such dishonesty can now be punished by the closing of the credit society, which is bound to prove a severe misfortune to all its members). Members are encouraged to insure all their eligible cattle, but at present they are not compelled to do so.

On the death of an insured animal, an indemnity of two-thirds of the value assessed, less the price of the hide and carcase, is paid out. The valuation work seemed to be easier in Burma than it is likely to be, say in the United Provinces. The cattle are more or less of the same value, if of the same age. In other words the standard of care bestowed on the animal from the time of its birth is uniformly high and there are not many different breeds to be taken into account. It may also be noted that the meat of a dead animal is eaten by many of the local people. The price of the carcase is thus a substantial sum and the indemnity payable is appreciably reduced thereby.

A re-insurance society has been organised for the whole of Burma of which the Registrar is at present the honorary and ex-officio manager. Half the premia collected by the insurance society is deposited in the local credit society. The other half is sent to the re-insurance society along with a list and particulars of cattle insured and their valuation every half year. If any animal dies, half the indemnity that has to be paid comes from the re-insurance society, the remaining half has to be made good from the funds of the primary insurance society. The latter has two separate funds, viz. : (1) the general fund consisting of all premia realised during the year, and (2) the reserve fund consisting of fines, entrance fees, donations, profits of previous years, etc. In the event of the fund received as premia during the year proving insufficient to meet the claim of half the indemnity payable by the primary society, half of the reserve fund may be drawn upon in any

one year with the Registrar's sanction to meet the deficiency. If the funds are still insufficient the indemnities for all animals that have died during the year will be proportionately reduced. So far none of the 63 societies has been known to have suffered a deficit. The re-insurance society was organised only about two years ago. It banks with the Upper Burma Central Bank, which is the Provincial Co-operative Bank for Burma.

**BY-LAWS OF THE CO-OPERATIVE CATTLE INSURANCE
SOCIETY, Ltd.***

Name of the Society.—1. The society shall be called the Co-operative Cattle Insurance Society, Limited.

It is registered under the Co-operative Societies Act, II of 1912.

Registered Address.—2. The registered address of the society is
at post office thana subdivision
district

In the event of any change in the situation of the registered office, notice thereof shall be sent to the Registrar of Co-operative Societies, Bengal.

Objects.—3. The object of this society is to insure its members against loss by the death of cattle from disease, accident or otherwise, as provided by these by-laws.

Membership.—4. Every member of the society must be—

- (1) ordinarily resident within
 - (2) of good character,
 - (3) of not less than 18 years of age, except in the case of a minor heir of a deceased member.

5. Every member shall pay an entrance fee of _____ and shall sign his name or put his thumb mark in a register of members to be kept by the society in token of his acceptance of these by-laws.

6. The members of the society shall consist of—

- (a) those persons who have subscribed to the application for registration and to these by-laws.

[* Issued from the Office of the Registrar of Co-operative Societies, Bengal.]

(b) such persons as shall hereafter become members of the society by election according to these by-laws.

Until the first general meeting the committee of management shall consist of the signatories to the application for registration.

Election of members.—7. Every person desirous of becoming a member shall apply to the committee of management which, after careful consideration, may elect him as a member or refuse his application. If more than one-fourth of the members of the society object to the admission of any person as a member, he shall not be admitted. As soon as a member has been elected he shall sign the register of members and pay the entrance-fee. In case of rejection the applicant shall have a right of appeal to the general meeting.

8. On the death of a member the committee may admit his widow or legal heir as a member in his place without payment of the entrance fee. For the purpose of these by-laws the membership of a person so admitted and of the person in whose place he is admitted shall be treated as one continuous membership.

Cessation of Membership.—9. Membership shall cease by—

(1) expulsion,

(2) death,

(3) resignation presented to and accepted by the committee after 3 months' written notice of intention to resign, but no member shall be permitted to resign who has not paid all his dues to the society.

A member must belong to the society for at least a year and for three years after he receives any indemnity (except in the case of removal of residence beyond the prescribed area).

A member who permanently removes his residence from the area prescribed in By-law No. 4 shall ordinarily cease to be a member unless the committee permit him to remain a member for a further definite period on the expiry of which his membership or that of his successor shall terminate finally.

A person who ceases to be a member shall have no claim on the society except for insurance claims due to him at the time at which he ceased to be a member, but he or his representatives shall continue to be liable to pay all sums due from him to the society in accordance with these by-laws and the Co-operative Societies Act.

Suspension and expulsion of members.—10. The committee may, after open investigation, suspend or expel a member for—

- (1) any serious breach of the by-laws and the rules of the society,
- (2) being in default to the society after due notice has been given,
- (3) any conduct considered dishonourable by the committee or which may weaken the financial credit of the society or bring it into disrepute,
- (4) ill-treatment of cattle,
- (5) any conduct detrimental to the interests of the society,
- (6) breaking sanitary rules or refusal to carry out the sanitary orders of the committee or Government,
- (7) deceit or fraud.

All cases of suspension and expulsion shall be reported to the next general meeting for confirmation.

Scope of Insurance.—11. The society will not accept for insurance beasts other than healthy bullocks, male or female buffaloes between the ages of four and twelve years. No new insurance on any cattle of the age between 7 and 12 will be accepted in the absence of good evidence of age. All insurance will cease after an animal has completed its 16th year, *i.e.*, on the completion of the 16th year of any animal, neither a member will be required to pay premium nor the society will be liable to pay any insurance claim. The society shall have power however to pay any bonus it deems fit (with the sanction of the Registrar) to a member who has continued the payment of premium on any animal up to the 16th year provided however no bonus will be paid to any member who has not paid full five years' premia.

12. The society will not pay any indemnity on account of animals the death of which is due to the following causes :—

- (a) war, riot or rebellion ;
- (b) theft or loss by straying ;
- (c) journey by rail, steamer or boat ;
- (d) the act of a third party who is legally bound to make good the loss to the owner ;
- (e) contagious diseases where the member has failed to carry out the rules regarding sanitation promulgated by the committee with the sanction of the Registrar or to inform the committee of the outbreak ;
- (f) ill-treatment, neglect on the part of the owner.

13. The society shall not insure any beast for more than Rs.

Valuation.—14. Every member shall insure all the insurable cattle in his possession unless on his application the committee directs otherwise.

(b) Every member shall furnish a list of his cattle, together with the value he puts on each. The supervisors will inspect the animals and satisfy themselves that they are kept in sanitary condition and free from disease and otherwise eligible for insurance. They may require the owner to inform them as to the place from which his animals came, the price paid for them, etc. They should then submit a report to the committee which will deal according to its discretion all applications for insurance. Wilful suppression of material information or fraud will invalidate an insurance.

15. Valuations under the last preceding by-law shall be revised by the supervisors half-yearly.

16. Any addition to cattle of a member by purchase or otherwise must be declared by him within 15 days from such acquisition. New animals shall not be eligible for insurance for 15 days after declaration. They must, in all cases, be inspected by the supervisors.

17. No refund of premia is allowed in cases of voluntary 'sales but in the case of a sale under the decree of a Court half of the premia paid, shall be refunded.

18. Every member shall be bound to inform the committee of all cases of illness and of any outbreak of contagious cattle disease in the locality at once and to carry out its suggestion for treatment, disinfection and segregation.

19. Incurables may be disposed of by order of the committee, and the indemnity payable will be that for death less the price obtained.

20. Supervisors will not judge their own cattle or those of near relations. The committee will value such cattle.

* **Premia.—21.** Every member shall pay in advance a premium of per cent. of the value of each animal insured. The premium is payable in two instalments at the beginning of each six months after the revision of valuation.

22. In case of non-payment, the society will not be liable to pay any indemnity.

23. If a member wishes to remove an insured beast beyond the prescribed area, he shall be bound to inform the committee and to pay such enhanced premium as the committee may fix subject to a maximum of—per cent.

24. The general meeting shall have power to raise or reduce the rates of premium when it thinks fit with the previous sanction of the Registrar.

Deaths and payment of claims.—25. When an insured animal dies, the owner shall report the death to the committee giving full details as to the hour, place, and cause of death. He shall also get the report attested by two members or by a supervisor.

26. When a third party is liable, the owner shall take all possible action against him before claiming any indemnity.

27. The society will not pay more than two-thirds of the value of the animal as indemnity.

The proceeds of skin (if any) and any compensation the member may have got from a third party will be deducted from the amount payable by the society.

28. Indemnities will ordinarily be paid at the half-yearly general meetings ; but funds allowing, the committee may make payments on account at any time.

29. If funds are insufficient, the Reserve Fund may be drawn upon, with the sanction of the Registrar, for the payment of insurance claims.

30. If funds are still insufficient, indemnities may be proportionately reduced for all deaths occurring in any year.

Marking of Cattle.—31. The committee of management may arrange for the marking of each animal insured with the society and may draw up rules from time to time for the purpose and may appoint a marker with such remuneration as may be considered sufficient.

Funds of the Society and its Borrowing Power.—32. To carry on the work of the society the committee may, on behalf of the society, borrow money with the previous sanction of the Registrar.

Liability of the Society.—33. The society is liable to pay indemnities on all animals insured with it in accordance with these by-laws.

Liability of Members.—34. The liability of the members for the liabilities of the society at any time shall be limited to the total premia payable by the members.

Representation.—35. All documents creating a charge or obligation on the society shall be signed by at least three members of the committee of management, including the chairman or secretary, but in cases of receipts, premium and other ordinary receipts the chairman, the secretary or any office-bearer duly authorised by the committee may sign.

General Meeting.—36. The supreme authority of the society shall be vested in the general meeting. The general meeting must exercise a general supervision over the business of the society, especially over the

acts of the committee and supervisors and shall do all things which the interests of the society demand.

37. The general meeting shall be held at the close of each half-year. At least a week's notice of the meeting should be given. The meeting shall elect its own chairman. The proceedings of all meetings shall be recorded by the secretary and signed by the chairman. Extraordinary general meetings can be called whenever necessary at the requisition by the Registrar, the committee, the supervisors, or members numbering at least one-fifth of the number of registered members subject to a minimum of eight members. Each member shall have one vote. Only members present can vote. It is the duty of all members to attend the general meeting. One-fifth of the number of registered members shall constitute a quorum, but if the total number of members be less than 40 the number required for a quorum shall be eight. On any question the opinion of the majority shall prevail. The chairman shall have a casting vote.

38. The duties of the half-yearly general meeting shall be—

- (1) to review the working of the society ;
- (2) to elect the members of the committee of management and to appoint supervisors ;
- (3) to raise or reduce the rates of premia, if necessary, with the sanction of the Registrar ;
- (4) to hear all complaints against the committee of management and other office-bearers and supervisors ;
- (5) to confirm and revise valuations ;
- (6) to decide about the payment of indemnities ;
- (7) to transact any other business that may be laid before it.

Committee of Management.—39. Subject to the direction of the general meeting the management of the society's affairs shall vest in the committee of management. The committee shall consist of not less than five members and not more than nine members who shall be elected annually at the general meeting. The committee shall elect any one of them as secretary. They shall meet as often as may be necessary and shall record their proceedings in the minute-book of the society which shall be signed by the secretary and by the chairman of the meeting. Three members shall form a quorum and four members, if the committee consists more than six. The duties of the committee of management shall be—

- (1) to elect new members ;
- (2)* to deal with applications for insurance and indemnities ;

- (3) to receive and disburse money as may be required ;
- (4) to prepare periodically a balance-sheet ;
- (5) to see that the insured animals are properly tended, fed, housed and kept in proper sanitary conditions ;
- (6) to collect premia ;
- (7) to verify the cash balance ;
- (8) to take action on the report of the supervisors and the marker ;
- (9) generally to carry on the work of the society.

40. The committee of management shall be responsible for the good management of the society. They shall be liable to the society for any wilful neglect of their duties.

41. If a member of the committee of management dies or resigns or fails to attend three consecutive meetings, the other members of the committee may appoint a new man to take his place till the next general meeting.

Duties of the Committee of Supervisors.—42. The committee of supervisors shall not be less than three members. Half of a total number shall form a quorum. The marker (if any) shall be one of them. Their duties shall be—

- (1) to ascertain and fix the age of cattle offered for insurance and to see whether the animals satisfy the necessary conditions of eligibility.
- (2) to value such cattle ;
- (3) to see whether the owners observe the rules regarding sanitation, etc., laid down by the committee in consultation with the Registrar and the veterinary department. Any infringement should be brought to the notice of the committee ;
- (4) to report the loss of insured animals, by death or otherwise together with the cause and date thereof, to the committee with the least possible delay ;
- (5) to bring to the notice of the committee any abuses which they may have observed ;
- (6) to perform such other duties as may, from time to time, be entrusted by the general meeting ;
- (7) to meet on days fixed for the meeting of the committee and to help that body.

Disputes.—43. All disputes which the committee of management cannot decide shall be referred to the Registrar who may either decide

the matter himself or appoint an arbitrator or arbitrators. The decision of the Registrar or arbitrators shall be final.

Books and accounts.—44. All the account books and the by-laws and other records shall be open to the inspection of members while the committee of management is sitting.

Reserve Fund and Profits.—45. The society shall maintain a Reserve Fund from the excess amount of receipts over expenditure in each year as declared by the Registrar after indemnities and other expenses have been paid.

46. The Reserve Fund shall belong to the society and shall be indivisible amongst members.

47. The Fund which is intended to be a source of strength to the society shall however be available and may be drawn upon with the sanction of the Registrar for any of the following purposes :—

- (a) to meet demands for indemnities which cannot otherwise be met ;
- (b) to pay any expenses which are a lawful charge on the society and for which the funds at the disposal of the society are insufficient ;
- (c) to serve as security for any loans which the society has to contract.

In the case of dissolution of the society the Reserve Fund shall be applied to such purposes as may be determined with the approval of the Registrar by the majority of members.

48. The Reserve Fund shall be invested in any way permitted by section 32 of the Co-operative Societies Act.

Dissolution.—49. The society shall be wound up with the approval of the Registrar, if three-fourths of the members present at a general meeting specially convened to consider the question vote for it.

Miscellaneous.—50. The committee of management may frame rules without prejudice to any of these by-laws or to the provisions of the Co-operative Societies Act as regards transaction of business, tending, housing and sanitation of cattle, etc., and may make additions to, alterations in, them from time to time.

51. Any of these by-laws may be altered or rescinded or new by-laws may be made at a general meeting held in accordance with the rules made by Government in this behalf and such amendment will come into force after it has been approved and registered by the Registrar.

52. The society shall keep a copy of the Co-operative Societies Act, II of 1912, and of the rules made by the Government under the Act and a copy of these by-laws will be open to inspection free of charge at all reasonable times at its registered office.

53. All matters not specially provided for by the by-laws shall be decided according to the terms of the Co-operative Societies Act and the rules framed under section 43 of that Act, and if there be no provision in the Act or the rules applicable to such matters, then subject to the by-laws of the society in such manner as the Registrar may determine.

The above are the by-laws referred to in our application for registration dated

Signatures of applicants.

III. Co-operative Agricultural Supply Societies.—

The opinion is held by many that the main function of the co-operative movement will be, after the supply of credit, the supply of requisites for agricultural purposes such as manures, implements, seeds etc.

(a) *Manure Supplying Societies.*—No crop will thrive unless it is properly manured and as a general rule the profit will increase with the amount of manure applied. Every agriculturist is, therefore, bound to consider the question of manure supply. For ordinary dry crops, the natural manure of the farm yard is the best and cheapest, and for this reason as little as possible of this should be used as fuel and as much as possible reserved for agricultural purposes. But for most of the high-class irrigated crops it will be found profitable to use some sort of artificial manure. To buy this cheaply is often difficult, because it has usually to be procured in large quantities, imported from a distance, and stored for

some time before use. The traffic naturally, therefore, has fallen into the hands of middlemen accustomed to mercantile transactions. By enhancing the price beyond a reasonable level, by supplying manure of inferior quality, by falsifying weights, and by charging bazar cesses over and above the selling price, the middlemen often secure for themselves an excessive profit at the expense of the agriculturists.

The object of a co-operative manure supplying society is to eliminate the middleman and to secure for the agriculturists themselves the profits now engrossed by him. The method of forming such a society is not very difficult. The promoters should first ascertain the probable number of persons likely to join the Society and should estimate the amount of artificial or concentrated manure required by them altogether. Having done so, they can calculate approximately the total price of the manure that must be bought, and this is the amount of capital which they must manage to raise in the first instance. Since a good deal of executive power will be in the hands of the Secretary, and many purchases will be made by him at a great distance from the Society, members cannot undertake joint and unlimited liability. It will be better to raise capital by issuing shares of Rs. 5 or Rs. 10 each, fully paid up, with liability limited to the face value of the shares. Promises to buy shares should be recorded in writing by the promoters, and fixed deposits bearing interest at about $6\frac{1}{4}$ per cent. should be invited. As soon as they have secured sufficient capital to enable them to start business, steps should be taken to get the Society registered.

The Directors are responsible for the purchase of good and suitable manure. In particular they must arrange to buy it at the proper season and in the cheapest market, after taking into consideration the expense of freight and storage. Before paying for manure, they should open several of the bags

delivered and make sure that it is up to sample. For instance castor cake may be found brittle and liable to crumble when the sample is firm and solid, or it may be mouldy and stale while the sample is fresh and good. Again the Directors should exercise commonsense in buying the right sort of manure. In the year when the price of castor cake rules high, it would be advisable to buy fish-manure or some other sort of cake, if it is suitable to the crop raised. The Society must remember that though it will be easy to sell manure at rates lower than those prevailing in the Bazar, it will often be difficult to make sales, when it finds that it has to charge a higher rate in order to cover expenses. The business is bound to be slightly speculative, but when doubt is felt about the future trend of prices, the Directors should always try to err on the safe side.

Having ordered the manure, the Directors should at once set about finding a place to store it. It must be kept absolutely dry and should not be put in a place where its offensive smell will cause annoyance. The paid Secretary of the Society must be responsible for checking its weight and quantity, and seeing that it is properly stored. It is also his business to deliver to members advances of manure sanctioned by the Directors. If members lend their carts for conveying manure from the Station to the Store, a useful economy is made. The Directors should from time to time ascertain by actual weighment that the balance on hand really corresponds with that shown in the stock register, and should sanction the writing off of any deficiency due to dryage or other unavoidable cause.

Manure supply societies have found congenial soil in Bombay Presidency where the most important is a well-managed manure society at Kelva Mahim in Thana. In the course of the year (1913-14) it sold 9,482 maunds of Gujarat *ghani*-pressed castor cake to its members at a rate of Rs. 16 per *khandi* as compared with a bazar rate of Rs. 20 per

khandi. Its success has encouraged the neighbouring villages of Agashi and Koprad to start similar societies. The manure store at Baramati, which is co-operative not in its management but only in the distribution of its profits distributed 3,589 *khandis* of safflower, castor cake and *karanji* to 376 members at a cost of Rs. 57,603 during the year 1913-14. The Mutha Canal Society at Poona which includes among its directorate Dr. H. H. Mann and two members of the Provincial Legislative Council, supplies the sugarcane growers of Hadapsar and the surrounding villages with castor cake, safflower cake and fish manure. As artificial manures can be used profitably in cultivating sugarcane and similar expensive crops, manure purchasing societies are only recommended in garden tracts or in irrigated areas where agriculturists have acquired some capital and experience.

(b) *Implements Supply Societies*.—Great developments have recently taken place in England and Ireland in the establishment of co-operative societies for the supply of agricultural implements and in many cases societies have been formed especially for this purpose. The system adopted has been for the society to buy from its capital certain implements required by members and to lend these to members on hire. The rates of hire have been fixed high enough to give an appreciable profit and to enable the cost of the implements to be quickly recovered, the receipts so obtained being credited to a general fund with which further implements are purchased as soon as possible. In this way after a few years' working, several of these societies have found themselves in possession of a considerable number of improved implements. And the scheme has not only worked successfully from a financial point of view, but has been of the greatest assistance to members either by allowing them to bring larger areas of land under valuable crops, or by enabling them to effect economy in labour.

The general practice in India is for the Agricultural Department to place small stocks of certain implements at the disposal of Central banks or primary societies for furthering their use amongst their members. These implements have in some cases been sold direct or given on hire, or in other cases have been sold to members on the instalment payment system. In this way a large number of the cheaper implements, such as Meston ploughs, have been introduced. Thus in the Punjab the Union Banks in Jullander, Gurdaspur, and Hoshiarpur stock implements for sale. So also in Bengal increasing use is being made of co-operative societies for furthering the use of improved implements, (also seeds and manure) : there is also a scope for co-operative ownership of sugarcane mills and possibly of oil engines for driving mills.

Some hold the opinion that it would be better to use the existing co-operative societies for the work of bringing agricultural improvements to the notice of the cultivators rather than to create new co-operative societies purely for agricultural purposes. In view of this opinion the establishment of a purely agricultural supply society at Manipuri—being the first attempt in the United Provinces to separate the business of the supply of seed and other agricultural requisites from the ordinary activities of a Central Society—will be looked upon as a very important innovation and its career will be watched with interest.

(c) *Seed Societies.*—In various forms modified to suit local conditions, co-operative organizations for the production and supply of seed have been the first results in many rural tracts of the success of credit societies. The details of organization vary much—the work may be undertaken by the credit societies or by unions of credit societies (as in Burma) or by separate and independent societies altogether. We may in this connection describe a new form of co-operative organiza-

tion which has been started in the Central Provinces chiefly for seed supply viz. the Co-operative Agricultural Unions.

These Agricultural Unions, as they are called, control a limited and compact number of villages. They have a small farm of their own which in the case of wheat tract is about 30 acres in extent. The area for this farm is acquired or leased by the Union. The Union has a capital of about Rs. 500 which is raised by means of Rs. 10 shares. Each member on joining the Union must take at least one share.

The farm is divided into two parts :—

- (1) A small area of about two acres which is used for testing any new varieties the members in consultation with the Agricultural Department may wish to try.
- (2) For the propagation of pure seed of the variety which has proved most successful after trial.

Fresh seed is obtained for this farm every year from the Government farm. The produce of the Union farm is sold each year to the members. Each member reserves one field of his own for growing seed from the Union farm and reserves the produce of this field for the remaining area for next year. By this means each member is continually renewing a portion of his seed and in two or three years the whole of his land will be sown with first class pure seed which will give him the biggest profits possible.

The Union usually consists of members either *malguzars* or good *hisans* who live not more than five or six miles from the Central Farm. The work of the Managing Committee is to look after the general management of the farm which will be in charge of a *Kamdar* who will be responsible to the managing committee. A simple set of accounts showing receipt and expenditure will have to be kept.

When the Union is registered as a Co-operative Union by the Registrar of Co-operative Societies the following benefits result :—

- (1) The accounts will be properly audited ;
- (2) A proper reserve fund will have to be kept, so that provision may be made for
 - (a) Partial failure of crops ;
 - (b) Renewal of bullocks and stock ;
 - (c) Extra contingencies.

A Union of this sort affords not only a means of introducing new varieties to a large area, but also affords a means of demonstrating new methods of cultivation. This scheme is not only applicable to wheat but also to other crops such as *dhan*, cotton, etc. These Unions have this great advantage *viz.*, that every member has a personal interest in the success or failure of the Union, as if the farm makes large profits, he gets an increased dividend and *vice versa*.

The question has been raised as to whether existing credit societies should extend their functions or whether new societies or unions should be formed side by side with the credit organizations to undertake the supply of agricultural requisites. The trend of expert opinion on this question will be apparent from the following extract from Maclagan Committee's Report—

"Most forms of agricultural non-credit societies, and especially those for the supply of seed and implements, can in our opinion best be combined with credit societies. In fact not a few Societies returned as credit societies, have such annexes, maintaining separate accounts but with the same membership. Much has been done, notably in the Central Provinces, in growing and distributing improved seed through organizations of this sort. Whether the work should be centralized and left to a Central Bank, or localized and dealt with by a primary society, will depend in every case on the sort of function undertaken. Ordinarily we do not think that a society should itself

become the owner of the commodities handled. It is preferable that it should buy or sell on commission or on some system under which it merely undertakes joint sale and purchase on behalf of their members at their risk."

The establishment of any of the above three forms of special agricultural societies for the distribution of agricultural requisites postulates the existence of a demand for manures, implements, seeds etc., and a certain difficulty in the matter of supply which can only be overcome by means of combination amongst the ryots.

Therefore, till an improved agriculture creates a spontaneous demand for, and multiplies the wants of ryots in the matter of, seeds, manures and implements, there will not be much progress. A scheme, suited to the present circumstances of our ryots, was at first drawn up by the Bengal Registrar for the establishment of supply societies in which the distribution of household articles with the supply of agricultural requisites was combined. It may be stated here that in Denmark and Switzerland where supply organizations are most successful, agricultural supply societies deal in general provisions as well as in the materials of agriculture, and that the Bengal scheme for the inclusion of household requisites in the agricultural supply societies had the approval of Mr. Wolff. Recently, however, it has not been found possible to get two sets of men in many areas to manage two kinds of societies *viz.*, Supply and Sale Societies. Anticipating that better results will be obtained if a society is given power to supply agricultural requisites and ordinary necessities of life, as well as to make arrangements for the sale of crops and other products the Bengal Registrar has issued the following set of by-laws which aim at combining the functions of a supply society with those of a sale society. The success of this new scheme will be watched with interest,

**BY-LAWS OF CO-OPERATIVE SUPPLY AND SALE
SOCIETIES, LIMITED.***

Name, Office and Objects.—1. The Society which is registered under the Co-operative Societies Act, II of 1912, shall be called "The _____ Co-operative Supply and Sale Society, Limited."

2. Its registered office shall for the present be at _____ post office _____, thana _____, subdivision _____, district _____. In the event of any change in the situation of the registered office, notice of such change shall be sent to the Registrar of Co-operative Societies, Bengal.

3. The object of the society is to promote the economic interests of its members by means of business operations in common and with this end in view—

- (1) to carry on the trade of general dealers ;
- (2) to purchase in common agricultural requisites, such as manures, seeds, etc. ;
- (3) to procure machines and other objects of utility on common account for the use of the members of the society ;
- (4) to manufacture any articles dealt in by the society, if approved by the general meeting ;
- (5) to assist the members in the disposal of their crops and the products of agricultural industry carried on by them.

Capital.—4. The nominal capital of the Society shall be Rs. _____ divided into _____ shares of the value of Rs. 10 each to be subscribed by the members only.

5. To carry on its work the Society may contract loans by way of deposits or otherwise, provided that the total amount of liability shall not exceed five times the value of the subscribed shares.

Membership.—6. Membership of the Society shall be open to all persons who are members of any of the co-operative societies which are affiliated to——Central Bank, Limited.

Election of Members.—7. Every person desirous of becoming a member shall apply to the Board of Directors who may elect him as a member or refuse his application. As soon as a member is elected he shall subscribe shares according to the rules of the Society and pay an entrance fee of _____. The widow, legal heir or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

* [Issued from the Office of the Registrar of Co-operative Societies, Bengal.]

Cessation of Membership.—8. A member shall cease to be a member of the Society if he ceases to be a member of any of the societies affiliated to _____ Central Bank ; or if he is expelled from the Society or if he transfers all his shares according to the rules of the Society.

Suspension and Expulsion of Members.—9. The Board of Directors may fine, suspend or expel a member—

- (1) for any breach of these by-laws or of the rules of the Society ;
- (2) for being in default to the Society ;
- (3) for any conduct proved to their satisfaction by which he may weaken the credit of the Society or bring it into disrepute.

10. All such cases shall be reported to the next general meeting for confirmation.

Liability of Share-holders.—11. (a) The liability of the share-holders for the debts of the Society shall be limited to the nominal value of the shares held by them.

- (b) The liability of a past member to the extent mentioned in clause (a) for the debts of the Society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.
- (c) The estate of a deceased member shall be liable to the extent mentioned in clause (a) for a period of one year from the time of his decease for the debts of the Society as they existed at the time of his decease.

Representation.—12. All documents creating a charge or obligation on the Society shall be signed by at least two members of the Board, including either the Chairman or Secretary, and shall bear the common seal of the society, but all receipts signed either by the Chairman, Secretary, or any office-bearer duly authorized by the Board of Directors shall bind the society.

Rules regarding shares.—13. The general meeting may from time to time determine the number of shares which each member shall hold, but no member shall hold more shares than represent a maximum of one-fifth of the subscribed share capital of the Society nor hold more shares than represent a nominal value of Rs. 1,000.

14. For every share Rs. 5 shall be paid either in one lump or in such instalments as may be fixed by the Board of Directors and the balance shall represent the reserve liability of the share-holders to be paid, either in whole or in part, should the assets at any time be found unequal to meet the liabilities of the Society.

15. Interest at the rate of _____ per cent. per annum shall be levied on all deferred payments of share calls from the date on which the calls fall due.

If the amount on account of shares remains unpaid for more than three months, the Board of Directors may declare such shares forfeited together with all payments made thereon, and the rights of membership attaching to those shares extinct. Such shares may be renewed within a period of three months from the date of the notice of forfeiture on payment of all arrear amounts, including interest and a renewal fee of Rs. _____ per share.

16. In the event of cessation of membership on any grounds other than death or default of share payments the net value of the share or shares held by a member after deduction of the member's dues to the Society shall be paid to the member within six months from the date of cessation.

17. In the case of the death of a member, his shares may be transferred to the person nominated in accordance with the Co-operative Societies Act, or if there is no nominee, to such person as may appear to the Committee to be the heir or legal representative of the deceased member, provided that such nominee or legal representative, as the case may be, is eligible for membership or on his application within one month of the death of the deceased member to any person specified in the application who is so eligible, otherwise the amount actually paid by the deceased member on the shares, shall after deduction of his dues to the Society be paid to the nominee, heir or legal representative, as the case may be, within six months from the date of the death of the member and the society shall thereupon be absolved of all liability in respect of such money.

18. Shares may be transferred with the approval of the Board of Directors to a member or to a person who is eligible for admission and whom the Board of Directors is willing to admit as a member. Transfer of shares to non-members shall not be permitted.

19. Share-holders shall be entitled to certificates under the common seal of the Society specifying the share or shares held by them. If such certificates are lost or worn out they may be renewed on a payment of Rs. _____.

Conduct of Business.—20. The general meeting may from time to time draw up a complete list of articles to be dealt in by the Society for the guidance of its officers,

21. The Society shall build such sheds or godowns as may be necessary and may, from time to time, acquire land for the purpose.

22. The Board of Directors shall appoint such salaried officers as may be necessary and shall from time to time determine their duties and hours of attendance at the places of business.

Supply Department. 23. The prices of goods shall be fixed by the Board of Directors in such a way that, in addition to the actual cost, the expenses of management and other business charges, a margin of profit is obtained with a view to the payment of dividend on share capital, the building up of a reserve fund and the grant of rebate to members on purchases and as far as possible the sale prices of goods shall coincide with the price prevailing at the nearest important market at the time.

24. The Society may sell goods through commission agents at weekly *hats* or through such agents as will undertake to go about with the goods to villages where there are co-operative societies affiliated to the Central Bank, or where there are sufficiently large numbers of shareholders, but such agents shall not under any circumstance be allowed to charge a higher price beyond the sale price fixed by the society *plus* the commission that has been decided upon.

25. The Society shall not ordinarily sell to non-members except in any of the circumstances mentioned below :—

- (1) Whenever the speedy disposal of any article is necessary to prevent its deterioration ;
- (2) Whenever the Society has got a surplus stock of any article which cannot be disposed of amongst the members ;
- (3) Whenever the Society sells articles through its employees at weekly *hats* in the neighbourhood ;
- (4) Whenever commission agents are employed for sale.

26. Dealings shall be for cash. All goods sold shall be paid on delivery or if the Committee so directs on order.

In exceptional circumstances a member may be allowed credit in goods up to two-thirds of the paid-up value of shares. But such dues must be paid at least a fortnight before the accounts of the Society are closed, or within two months from the date the goods are delivered, whichever is earlier.

27. The general meeting may from time to time open branches at suitable centres and may fix the area within which each branch shall ordinarily operate and the general meeting shall appoint local directors to carry on the business of the society. Every local

Board of Directors shall, subject to the control of the Board of Directors, exercise the same powers with regard to the work of the branch it represents as the Board of Directors. All documents executed by the local Directors with regard to the work of the branch society in the manner laid down in the by-laws shall be binding on the Society.

Sale Department. 28. Every member desirous of selling his crops or the products of agricultural industry carried on by him through the Society shall be bound to carry out such instructions and rules as may from time to time be prescribed by the Board of Directors with regard to grading according to the quality and size of products made over to the Society for sale.

29. When a member brings in his produce, he shall be granted a receipt for the same and the Board of Directors may make immediate payment provided that the rate shall not exceed the market value of the produce at the time of the delivery.

30. The Society may, if it facilitates the disposal of any produce delivered by the members, purchase similar articles from non-members.

Obligation of Members.—31. To ensure the success of the Society it shall be the duty of the share-holders not to purchase anywhere else goods which are dealt in by the Society ; it being clearly to their own interests to obtain good articles for ready money at a moderate price and to participate in any benefits to be derived from the Society.

Profits.—32. The accounts of the Society shall be closed half-yearly or annually. When the accounts of the Society are closed the net profits after allowing for depreciation shall be applied as follows :—

- (a) 25 per cent. shall be placed to the reserve fund ;
- (b) Dividend shall be paid at a rate which shall not exceed 9 $\frac{1}{2}$ per cent. on the amount actually paid on shares ;
- (c) The balance shall be employed in such a manner as may be determined by the general meeting or shall be carried forward.

33. The general meeting may sanction in case of Supply Department a rebate in proportion to the amount of the purchases—and in the case of Sale Department a bonus—in proportion either to the value or amount of each kind of produce made over to the Society or in proportion to the margin of profit which the Society makes by disposing of each kind of produce to the members of the Society from the surplus profits of the Society during the period to which the profit relates.

34. The Society may also, if funds permit, pay a bonus to employees and, subject to the provisions of section 34 of the Act, make contributions to any charitable purposes.

General Meeting. 35. The supreme authority of the Society shall be vested in the general meeting of all members. General meeting shall be held as soon as the accounts of the society are closed to consider the disposal of profits and to appoint the Board of Directors and other office-bearers and to transact any other general business of the society.

36. Extraordinary general meeting may be called at any time by the Board of Directors and shall be called if one-tenth of the members demand it.

37. The general meeting shall be held at a time and place which shall be duly notified at least 14 days before the date fixed. Each shareholder shall have one vote irrespective of the number of shares held. Voting by proxy shall not be allowed except in the case of *purdanashin* ladies. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail. One-fifth of the total number of shareholders of the Society shall constitute a quorum. If in the case of ordinary general meeting a quorum is not forthcoming, the Chairman shall postpone the meeting to a date not less than seven days and not more than a fortnight later and the business transacted at the postponed meeting shall be the same and no other than that proposed for the original meeting. At such postponed meeting if a quorum is still not forthcoming resolutions may be carried by a majority of the members or delegates present.

Board of Directors. 38. Subject to the control of the general meeting the entire management of the affairs shall vest in the Board of Directors which shall consist of not less than five members.

39. The conduct of the business of the Society as well as the representation of the society as regards its business may be handed over to the individual members and also to other officers of the society. The authority of such individual members and officers shall be regulated in accordance with the powers vested in them by the Board of Directors ; in case of doubt it extends to all legal transactions which the execution of such business usually involves.

Deposits. 40. The Board of Directors may frame rules subject to the direction of the general meeting regarding the terms and conditions on which deposits shall be accepted and withdrawn and regarding the rates of interest for various kinds of deposits and the Board may make additions to, or alterations in, these rules from time to time.

Reserve Fund. 41. The reserve fund shall consist of—

- (a) Twenty-five per cent. of the profits annually placed to the fund in accordance with rule 32 (a);
- (b) any sums allotted to it out of the profits or otherwise ;
- (c) entrance fees after deduction of the preliminary expenses incurred in constituting the Society ;
- (d) the value of all shares forfeited to the Society and lapsed dividends.

42. The reserve fund shall belong to the Society and be indivisible amongst the members. It shall ordinarily be invested in Government securities, Post Office Savings Bank or in any co-operative institution approved by the Registrar, or in any other manner laid down in section 32 of the Co-operative Societies Act.

43. The reserve fund shall be available for any of the following purposes :—

- (1) To cover any losses arising from any unforeseen circumstances, such drawings upon it being reimbursed to the fund from the next accruing profits.
- (2) To meet any call on the Society which cannot be met otherwise, such payments being reimbursed to the fund when fresh collections are made.
- (3) To serve as security for any loans which the Society has to contract.

In the case of dissolution of the Society the reserve fund shall be applied to such purposes as may be determined, with the approval of the Registrar, by the majority of the members.

Miscellaneous. 44. Every share-holder shall be supplied with a copy of the by-laws.

Dissolution. 45. The Society shall be wound up with the approval of the Registrar, if three-fourths of the members present at, the general meeting specially summoned to consider the question vote for it.

Special Membership. 46. Notwithstanding anything contained above any person approved by the Registrar may be admitted as a member of the Society, if it is considered necessary in the interests of the Society.

Disputes. 47. Any disputes which cannot be decided by the general meeting or by arbitration shall be referred to the Registrar, whose decision shall be final.

General. 48. Any of these by-laws may be altered or rescinded or new by-laws may be made at a general meeting held in accordance with the rules made by Government in this behalf and such amendment will come into force after it has been approved and registered by the Registrar.

49. The Society shall keep a copy of the Co-operative Societies Act, II of 1912, a copy of the rules made by Government under the Act and a copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

50. All matters not specially provided for shall be decided according to the terms of the Co-operative Societies Act, II of 1912, and the rules framed under section 43 of that Act.

The above are the by-laws referred to in our application for registration dated— —.

Signature of applicants.

IV. Fishermen's Co-operative Societies.—

Next to rice fish forms a staple food of Bengalees. The supply of fish, however, has not been able to keep pace with the demand and the result is that the price of fish has increased cent per cent within the short period of a decade. Attempts, therefore, are being made to form Fishermen's Co-operative Societies to improve the condition of fishermen and to increase the supply of fish. It has been pointed out* that if the swamps, hollows and pits by the side of railways are taken over by fishermen's co-operative societies and re-excavated into tank-fisheries the triple problem of fish-supply, water-supply and prevention of malaria would be solved. Such fisheries, it is pointed out, would

- (1) supply an indigenous, nitrogenous and wholesome animal food which is necessary for the health and strength of the people;

* See article on "Improvement of fish supply in Bengal by Co-operation" by Prof. S. C. Ray in the *Bengal Co-operative Journal*, September, 1915.

- (2) supply incidentally the want of pure drinking water ;
and
- (3) destroy malarial mosquitos.

By-laws for the formation of fishermen's co-operative societies have only recently been issued from the office of the Registrar of Co-operative Societies, Bengal. These proposed by-laws confine membership of the society to bonafide fishermen and declare the objects of the fishermen's co-operative society to be—

- (1) to raise fund by way of loans, deposit or otherwise by making use of the combined credit of the members ;
- (2) to grant cash advances to the members for necessary purposes at a moderate rate of interest.
- (3) to purchase improved fishing appliances to be sold or to be hired out to its members.
- (4) to arrange for the disposal of the catches of the members when necessary.
- (5) to accept deposits from members in order to stimulate the habit of saving.
- (6) to arrange for direct leases of fishery where possible ; and generally,
- (7) to do all such things as are conducive or incidental to the attainment of the said objects.

It has been pointed out that in order to improve the condition of fishermen and to cheapen the price of fish it will be necessary to organize societies not merely with the object of giving loans to the members, but also with the object of taking direct leases of fishery rights, and of making better arrangements for the disposal of the catches. As regards taking direct leases of fisheries, however, it would be advisable to start with those fisheries the rights of which belong to Government. If found successful, it could then be extended to fishery leases which are owned by Zemindars. Only

Recently the Guzirpur Haldar Society has taken the lease of a portion of the Bhagirathi Fishery and it has commenced exceedingly well.

As a result of the joint efforts of the Departments of Co-operation and Fisheries seven co-operative societies have been started amongst fishermen in Bengal. Arrangements are also in progress for the disposal of the catches of fishermen's societies in the Calcutta market. Madras has also made a very satisfactory beginning as regards the institution of such societies. Thus we read in the annual report of the Madras Fisheries Department for the year 1914-15 :—

"After four years of constant talk and persuasion I have succeeded in starting a co-operative society among the fishermen of Tanur. The society was registered about the end of March and arrangements are being made to commence business. Fifty of the leading fishermen who own boats and nets have already joined the society and paid the first call on their shares. This is a Co-operative *nidhi* and each shareholder has to pay a sum of Rs. 50 within 25 months by instalments of Rs. 2 per month, and thus the members have to create a capital by their own contributions. As the maximum number of shares is 200, this society will have a capital of Rs. 10,000 in two years' time provided the fishing season is good, and with this large amount it will be easy enough to put a stop to the sowcar's greedy transactions in the place. Most of these people will require only short term loans, and it is not unlikely that they will have money in hand to lend to other societies or banks.

"Fishermen at Quilandi, Tellichery and some other places are being persuaded to organize similar societies, and as soon as the successful working of the Tanur society comes to their knowledge it may be presumed that they will also come forward to form societies in their respective villages."

**BY-LAWS OF FISHERMEN'S CO-OPERATIVE SOCIETIES
WITH UNLIMITED LIABILITY.***

Name of the Society—1. The Society shall be called.....

It is registered under the Co-operative Societies Act II of 1912.

Registered Address—2. The registered office of the Society shall be at.....Post-office.....thana.....subdivision.....district.....

Object—3. The object of the Society is to improve the condition of the fishermen, who are its members, by encouraging thrift, self-help and co-operation among them. And in furtherance of the above-mentioned object the Society shall be at liberty—

- (1) to raise funds by way of loans, deposits or otherwise by making use of the combined credit of the members ;
- (2) to grant cash advances to the members for necessary purposes at a moderate rate of interest ;
- (3) to purchase improved fishing appliances to be sold or to be hired out to its members ;
- (4) to arrange for the disposal of the catches of the members when necessary ;
- (5) to accept deposits from members in order to stimulate the habit of saving ;
- (6) to arrange for direct leases of fishery where possible ; and generally,
- (7) to do all such things as are conducive or incidental to the attainment of the said objects.

Membership—4. Every member of the Society must be—

- (1) a *bona-fide* fisherman ;
- (2) ordinarily resident within..... ;
- (3) of good character ;
- (4) of not less than 18 years of age, except in the case of a minor heir of a deceased member ; and
- (5) not already a member of any other Society, the liability of which is unlimited.

5. Every member shall pay an entrance fee of and shall subscribe at least one share. Members shall also be required to sign their names or put their thumb-marks in a register of members to be

kept by the Society in token of their acceptance of these by-laws. The entrance-fee shall not be refunded.

6. The members of the Society shall consist of—

- (a) those persons who have subscribed to the application for registration and to these by-laws, and
- (b) such persons as shall hereafter become members of the Society by election according to these by-laws.

7. Notwithstanding anything contained above, persons who are not fishermen but who are otherwise eligible for admission may be admitted as members with the sanction of the Registrar, provided that the total number of such non-fishermen members shall not exceed three or one-tenth of the total number of members of the Society, whichever is greater. The total number of members of the Society shall not at any time exceed 50 without the written sanction of the Registrar.

Election of Members.—8. Every person desirous of becoming a member shall apply to the Committee of Management which after careful consideration may elect him as a member or refuse his application. Two adverse votes shall be sufficient to exclude the applicant. Any candidate who has been refused admission shall have the right of appeal to the next General Meeting of the members, and if three-fourths of the members are in favour of the admission he shall be admitted. As soon as a member has been elected, he shall sign the register of members and pay the entrance fee and subscribe at least one share.

9. The widow, legal heir or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

Cessation of Membership.—10. Membership shall cease by (a) withdrawal, (b) permanent removal of residence beyond the prescribed limits, (c) expulsion, (d) bankruptcy, (e) becoming insane and (f) death.

Any member can at any time after three years of his first becoming a member withdraw from the Society after giving notice to the Committee, provided that he is not liable for any sum as a borrower or surety and that he has no other dues to the Society.

A member who permanently removes his residence from the area prescribed in by-law No. 4 shall ordinarily cease to be a member, provided he has satisfied all claims in respect of any loan made to him or on his guarantee. But the Committee may for special reasons permit him to remain a member. If a member after having permanently removed his residence continues to be a member, he shall lose his right to serve in the Committee and to take loans.

11. The termination of membership by removal, expulsion or otherwise shall not affect the liability of the member in respect of any loan made to him or on his guarantee.

Suspension and Expulsion of Members.— 12. The Committee of Management may fine, suspend or expel a member—

- (1) for any breach of the by-laws and conduct detrimental to the interests of the Society ;
- (2) for wilful default in payment of his dues ;
- (3) for being convicted of any criminal offence which, in the opinion of the Committee, is of a serious nature ; and
- (4) if he wilfully deceives the Society by false statements.

13. All cases of expulsion shall be referred for confirmation to a General Meeting, which must be called within two weeks of the verdict, and if the decision of the Committee is not confirmed by three fourths of the members present, the order of expulsion passed by the Committee shall be cancelled. All cases of fine and suspension shall be reviewed by the next General Meeting of the members, which may either confirm, modify or cancel the Committee's decision.

Shares.— 14. The shares shall be valued at Rs. 50 each. Each member shall be required to take at least one share, but no member shall be allowed to subscribe more than ten shares. Shares shall be paid up in ten years by yearly instalments of Rs. 5 each. Members shall be at liberty to make payments of the annual instalments on account of shares in sums of not less than As. 4 at a time, provided that the full payment on account of each share is made before the 31st December every year. The ten years within which the share payments shall be completed shall be held to run from the 1st January following the date of the first subscription to the share.

15. If membership ceases by withdrawal, expulsion or bankruptcy before a share is fully paid up, the member, his nominee or heir, as the case may be, will be paid the amount of his share subscriptions after deducting any sums due from him to the Society without profits on the completion of ten years from the date of admission ; and, in the case of cessation of membership on the above grounds after a share is fully paid up, the member, his nominee or heir, as the case may be, shall be paid his share subscriptions after deducting any sums due from him to the Society with profits on the close of the next working year of the Society.

16. If membership ceases owing to insanity or death—

- (i) if the widow, heir or nominee, as the case may be, is eligible for admission he or she may, on application, be admitted as a

- .member in the place of the insane or deceased member with his full rights and liabilities, or, if he or she do not desire admission, be paid the full amount of the share subscriptions, after deducting any sums due to the Society, without profits if his shares have not been fully paid up or with profits if his shares have been fully paid up on the close of the next working year of the Society ;
- (ii) if the widow, heir or nominee be ineligible for admission on account of permanent non-residence or bad character, he or she shall be paid at once the full amount of share subscriptions standing to the credit of the insane or deceased member after deducting sums due to the Society, and all interest in the share or shares of such insane or deceased member shall lapse to the Society.

17. Each member at the time of admission shall record in respect of each share taken by him in the share register the name of the successor to whom he desires that the share money or dividends accruing thereon or any other moneys due to him shall be paid in case of his death, and the Committee shall be bound to make over sums so due to such nominee.

18. In case a member for good cause cannot pay up his share instalment in any year, the Committee may record the reason in writing and allow him to pay the instalment in the following year along with that due for the following year. But if a member makes wilful default to pay his share instalment, his share shall be forfeited.

Funds of the Society and its Borrowing power.—19. To carry on the work of the Society the Committee of Management may on behalf of the Society raise funds in the shape of loans, deposits or otherwise. The maximum borrowing power of the Society shall be determined annually at the General Meeting of the members, and it may be revised at any subsequent General Meeting of the members, but it shall not exceed the limit, if any, which the Registrar may, from time to time, lay down.

Liability of Members.—20. The liability of the Society shall be unlimited, i.e., every member shall be, equally with every other member, jointly and severally liable for the debts of the Society.

The liability of a past member for the debts of the Society, as they existed at the time when he ceased to be member, shall continue for a period of two years from the date of his ceasing to be a member.

The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the Society as they existed at the time of his decease.

Representation.—21. All documents creating a charge or obligation on the Society shall be signed by at least three members of the Committee of Management, including the Chairman or Secretary, provided that in case of receipts for deposits and repayments of loans the Chairman or any office-bearer duly authorized by the Committee of Management may sign.

General Meeting.—22. The supreme authority of the Society shall be vested in the General Meeting. The General Meeting shall exercise a general supervision over the business of the Society, especially over, the acts of the Committee of Management, and shall do all things which the interests of the Society demand.

23. The General Meeting of the Society shall be called as often as may be necessary. At least one General Meeting shall be called every year in a month to be fixed by the Registrar by any general or special order. This meeting shall be called the Annual General Meeting. Special General Meetings will be held whenever the Committee of Management think fit, and shall be convened on a requisition by one-fifth of the members or by the Registrar or any person authorized by the Registrar by general or special order to hold General Meetings.

24. At least a week's notice of the General Meeting shall always be given. The notice shall specify the date, hour and place fixed for holding the meeting. When General Meetings are held on the requisition of the Registrar or any person authorized by him by general or special order, it will not be necessary to give a week's notice, and it may be held at such time as may be decided by the Registrar or the person authorized by him to hold the General Meeting.

25. The Chairman of the meeting shall be elected by the members. One-fifth of the number of members shall constitute a quorum, but if the total number of members be less than 40, the number required for a quorum shall be eight. Each member shall have one vote, and only members present can vote. On any question the opinion of the majority shall prevail. In case of an equality of votes the Chairman shall be entitled to a second or casting vote. The proceedings of the General Meeting shall be recorded in a minute book to be kept for the purpose, and shall be signed by the Chairman of the meeting and the Secretary.

26. At every Annual General Meeting the Chairman shall read out from the by-laws the duties of the Annual General meeting before its business commences.

27. The members shall in the Annual General Meeting—

- (1) review the work of the Society during the last year ;
- (2) elect the Chairman and members of the Committee of Management ;
- (3) decide the maximum amount of liability to be incurred during the year ;
- (4) fix the rate of interest to be paid on deposits, and determine the terms upon which fishing appliances should be sold or hired out to the members, and also make arrangements for the disposal of members' catches ;
- (5) decide the maximum amount up to which an individual member may remain indebted to the Society ;
- (6) hear all complaints against the Committee of Management and office-bearers ;
- (7) receive a report of the number of loans and their amount made to members of the Committee of Management during the past year ;
- (8) fix the date and place at which the monthly meetings of the Committee of Management shall take place ;
- (9) sanction the grant of a remuneration to the writer of books, and to appoint paid officers subject to such general or special order as the Registrar may, from time to time, pass ; and
- (10) transact any other business that may be considered necessary.

28. A Special General Meeting may deal with all or any of the above business, and shall specially deal with matters for which it has been summoned and which may be placed before it.

Committee of Management (Panchayats).—29. Subject to the directions of the General Meeting and to the provisions of these by-laws, the Committee of Management shall manage the affairs of the Society and exercise all the powers of the Society. The Committee shall consist of not less than five members and not more than nine members, who shall be elected annually at the General meeting. One of the members of the Committee shall be the Chairman, and another the Secretary. The Chairman shall be elected by the General Meeting, and the Secretary shall be elected by the Committee.

30. The Committee shall meet as often as it considers necessary, but it shall at least meet once a month on a fixed date and at a fixed

place. The proceedings of the meetings shall be recorded in the minute book and shall be signed by the members present. If the number of members of the Committee exceeds six, four members shall constitute a quorum, but in other cases the presence of three members will be sufficient for the conduct of business.

31. The duties of the Committee shall be—

- (1) to deal with applications for membership ;
- (2) to raise money in the shape of loans, deposits or otherwise ;
- (3) to deal with applications for loans, and to decide whether loans shall be granted, and, if so, for what period and on what security ;
- (4) to see that loans are applied to the purposes for which they were granted, and to recall all loans which have not been so applied ;
- (5) to receive and disburse money as may be required ;
- (6) to prepare periodically (1) a receipt and disbursement statement, (2) a balance sheet and (3) a profit and loss statement ;
- (7) to check the security for each loan outstanding ;
- (8) to collect as they fall due loans with interest, and to take necessary steps to recover all arrears and to consider applications for extension of time ;
- (9) to verify the cash balance with the Treasurer at every monthly meeting ; and
- (10) to carry on the business of the Society with regard to the purchase and sale of improved fishing appliances, and to make arrangements for the disposal of members' catches.

32. The funds of the Society shall ordinarily be kept in the custody of the Chairman, but it shall be open to the General Meeting or to the Committee of Management to appoint a separate Treasurer from amongst the members of the Committee. The Secretary shall not be entrusted with the custody of funds. The Secretary shall be responsible to the Committee of Management for the books of the Society.

33. The members of the Committee of Management shall be responsible for the good management of the Society. They shall be liable to the Society for any wilful neglect of their duties and for all moneys expended contrary to the rules and the by-laws of the Society. The members of the Committee of Management may be removed by the General Meeting for mis-management or misconduct.

34. No Chairman or Secretary shall hold office for more than three years in succession without the previous permission of the Registrar, or

shall be eligible for re-election within two years of such period without such sanction.

35. No member of the Committee shall receive any remuneration for any work done by him for the Society, except the writer of the books.

36. If a member of the Committee dies or resigns or fails to attend three Committee meetings consecutively, the other members of the Committee may appoint another member to take his place till the next General Meeting.

Fishing Appliances.—37. The Committee of Management may purchase such fishing appliances as they consider to be necessary at such rates as seem to them proper.

38. Fishing appliances shall be sold to members on such terms as the Committee may, subject to the general direction of the General Meeting, from time to time, determine.

39. Such appliances may also be advanced to members on such terms as the Committee of Management shall from time to time determine, and members shall be bound to repay the value and the interest charged on such advances out of the sale proceeds of the catches, and no further advance shall be granted until such dues are settled.

Cash Advance.—40. The Society may grant loans to members at a rate of interest which shall for the present be per cent. The rate may from time to time be altered by the General Meeting with the sanction of the Registrar. Compound interest shall not be charged.

41. Loans shall be granted for any necessary purpose.

42. Loans shall be granted on the security of one personal surety if the amount does not exceed Rs. 50. or two personal sureties if the amount exceeds Rs. 50. In addition to this, the Committee of Management may take mortgage of immovable property by way of collateral security.

43. If a borrower fails to pay interest on any instalment of principal and the Committee of Management does not grant an extension of time, the whole loan shall become immediately due and payable, irrespective of any conditions on which the loan was granted, and the Committee may realize penal interest at such rates as may be fixed by the Committee.

44. If any property is purchased by the borrower or released from mortgage with money advanced by the Society, the purchaser shall not sell, mortgage or transfer it until the debt to the Society has been paid, except with the consent of the Committee of Management or in order to satisfy his debt to the Society.

45. Any sum outstanding against a member who dies, withdraws or is expelled or otherwise ceases to be a member, shall be immediately payable, irrespective of any conditions on which the loan was made.

46. If the Committee of Management finds that the security for an outstanding loan has become insufficient, it shall call on the borrower to provide satisfactory security, and in default shall call in the loan at once.

47. Notwithstanding anything contained above, the Society reserves to itself the right of calling in any outstanding loans on four weeks' notice, but this power shall not be exercised, save when there is a general run upon the Society by its creditors, or when the borrowers of the Society or their sureties are in such a position that the funds of the Society are endangered or in other exceptional circumstances.

Disposal of the Catches and Management of Fisheries.—48. If the Society makes arrangements for the disposal of the catches of the members, all the members shall sell their catches to the Society ; and if a member wishes to sell his catches direct, he should take the permission of the Committee of Management.

49. All advances granted to a member for the purpose of helping him in fishing shall be repaid out of the sale proceeds of his catches.

50. If the Society takes the lease of any fishery, the Committee of Management shall arrange to manage the fishery and to catch fishes in it in such manner as the General Meeting, from time to time, shall direct.

Borrowings of Members from outside.—51. If a member after joining the Society takes loans from sources outside the Society, he shall on every occasion inform the Committee of the amount he has borrowed, the name of the person from whom he has borrowed and the purpose of the loan. If he fails to do so, he shall be liable to expulsion.

Deposits.—52. Subject to any rules made by the General Meeting, the Committee shall decide the terms on which deposits shall be accepted from members and non-members, and the rates of interest on different kinds of deposits.

Disputes.—53. All disputes which the Committee of Management cannot decide shall be referred to the Registrar, who may either decide the matter himself or appoint an arbitrator or arbitrators. The decision of the Registrar or arbitrators shall be final.

Books and Accounts.—54. The account books and the minute book shall be open to the inspection of members at all reasonable hours, and it shall be the duty of the Secretary to produce such books and accounts for inspection, if called upon.

Reserve Fund and Profit.—55. The Society shall maintain a Reserve Fund from the profits earned by it. Entrance fees, fines and all profits after deduction of working expenses and dividend payable according to these by-laws and any expenditure which is a lawful charge on the Society shall be credited to this fund.

.. But, with the sanction of the Registrar, the General Meeting may contribute an amount not exceeding $7\frac{1}{2}$ per cent. of the net profits to any charitable purpose, such as maintenance of school, village sanitation, etc.

The Reserve Fund shall be invested in such manner as the Registrar may, from time to time, prescribe.

56. The entire net profits of the Society, as declared by the Registrar yearly, shall be carried to the credit of the Reserve Fund for ten years.

57. In case the Society be dissolved, the balance of the Reserve Fund available after all liabilities have been met shall be paid as a dividend upon the fully-paid-up shares of such members as are still in the Society at the date of dissolution, or, if no shares have yet been fully paid up, in such manner as the Registrar may approve.

58. Of the net profits declared by the Registrar as accruing during the eleventh and succeeding years, one-fourth shall go yearly to the Reserve Fund, and out of the balance a dividend shall be paid on the fully-paid-up shares subject to such rules as the Local Government may frame.

59. The Reserve Fund, which is intended to be a source of strength to the Society, shall ordinarily be available for any of the following purposes :—

- (1) to cover any losses arising from unforeseen circumstances :
- (2) to meet any liability when the Society has not got a sufficient cash balance, such payments being reimbursed to the fund as soon as collections are made ; and
- (3) to serve as security for any loans which the Society has to contract.

Winding up.—60. The Society shall be wound up whenever three-fourths of the members wish it, provided that the Registrar approves.

General.—61. Any of these by-laws may be altered or rescinded, or new by-laws may be made at a General Meeting held in accordance with the rules made by Government in this behalf, and such amendment

will come into force after it has been approved and registered by the Registrar.

62. The Society shall keep a copy of the Co-operative Societies Act (II of 1912), a copy of the rules made by Government under the Act, and a copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

63. These by-laws are subject to the provisions of the Act and the rules made by Government under the Act, and all matters not specially provided for in the Act, the Government rules under the Act or the by-laws shall be decided in such manner as the Registrar may direct.

The above are the by-laws referred to in our application for registration dated

Signatures.

V. Co-operative Dairy Societies.—

The increasing difficulty in procuring pure milk and other dairy products at reasonable rates has brought the question of co-operative dairying into prominence. It is sometimes assumed in this country that what are needed to improve the city milk-supply are individuals or companies who will take up the matter on a large scale with modern appliances. It would be well to make clear the difference between dairy farming concerns which aim at producing their own supply of milk which they propose to put on the market themselves and those dairying concerns which merely act as middlemen buying milk in the country and putting it on the town markets by improved methods. The production of milk by dairy farming concerns situated in a town or in its vicinity is not likely to be done so cheaply as it can be by the small cultivator. The most promising source of milk supply for towns lies in the villages where cultivators keep their animals under natural and economical conditions. It is from such sources that an adequate supply of milk has been secured for

the cities of other countries. The transport of milk is no doubt a difficult matter in hot countries but it has been overcome in the United States of America, and in this country for some time past pasteurised milk has been sent without difficulty from Poona to Bombay, a distance of 119 miles. It is only lack of organization that handicaps this branch of the industry.

The part which co-operative societies can undertake in developing the dairying business is clearly indicated in the following extract from the Report of the Committee appointed to consider measures for the improvement of the milk supply in large cities in the Bombay Presidency :—

"It is a matter of common knowledge that in other countries striking developments in the dairying business have been effected by the agency of co-operative societies, and we are of opinion that much progress may be made in this country by means of the same agency. In such matters as the financing of the milk producers, the joint purchase of feeding stuffs and the collection of small lots of milk there is no doubt that a co-operative society can be of much use. There is evidence that a co-operative society can undertake on a small scale the marketing of its own milk in a neighbouring town where the distance is not great ; but doubts have been expressed whether a co-operative society is a suitable agency to undertake the more difficult task of handling milk for long transport or the work of retailing milk on a large scale, which demands a degree of care and activity not often found except where the retailer's personal interests are concerned. Co-operation cannot be regarded as a substitute for efficiency, and if efficiency is to be secured, the enterprise in each case must be large enough to afford the cost of capable management. The question how far co-operative societies should go in this matter, must, therefore, depend on the degree of efficiency which they can

command and the question whether there are other agencies available to continue the work at the point at which they might feel disposed to leave it."

It should, however, be carefully borne in mind that an increase in the number of people or agencies who handle the milk in its transit from producer to consumer must bring about a corresponding increase in the price, and the secret of cheap milk lies in confining the profit as far as possible to the producer. Another point that is to be borne in mind is that in Europe the principal problem in connection with co-operative dairy is the introduction of co-operative methods in the production of butter, cream, cheese, etc.; whereas in India the chief problem connected with dairying is how to secure an improved milk supply for large towns by preventing adulteration and contamination and also by increasing the amount available by improved breeding, by supplying fodder, grazing and generally by encouraging the better care of herds.

Keeping these general principles in view we may now proceed to give a brief description of some important co-operative dairies working in various parts of this country.

The Benares Co-operative Dairy Society—A dairy on a limited liability basis was started in the suburbs of Benares about four years ago. The members are 'ahirs,' professional milk-sellers. There is a separate credit society on the unlimited liability basis for these members. The premises of the dairy are situated about 5 miles from the city of Benares. The dairy has got a fairly decent shed for the cattle and also for the stocking of feeding stuffs etc. The dairy society has rented shops in different parts of the city of Benares for the sale of milk and capital has been raised partly by shares and partly by loans from a public-spirited landholder and also from a central co-operative society at Benares. The cattle belong to the members themselves who sell the milk at a fixed price to the society.

and the society sells the milk again at fixed price for cash to purchasers at the different shops. This dairy did very good business at the beginning and made small profits every year. The supply has, however, diminished because, owing to a severe fodder famine which has prevailed in the locality for the last two years, the cattle have not been properly fed, and the members have also not been able to repay the loans that had been granted to them for the purchase of cattle and are consequently debarred from getting fresh loans in substantial amounts to purchase new cattle. Motor transport has been considered, but could not be adopted because it has not been possible to guarantee a large minimum daily supply to make the use of a motor remunerative.

The Lucknow Baraf-khana Co-operative Dairy Society—A second co-operative dairy—the Baraf-khana Co-operative Dairy Society—has been established on an unlimited liability basis at Lucknow during the last three years. The details about this society are given in an appendix to the Report of the Committee on Co-operation, from which it appears that the society has a membership of forty. As a qualification for membership applicants must be owners of milch cattle and carry on the business of the sale of milk and dairy produce in Lucknow. The Managing Committee consists of 7 members, of whom four are elected by the members and three are nominated by the District Co-operative Bank, Lucknow, which finances the dairy. Among these latter is the Deputy Commissioner of Lucknow who is the *ex-officio* Chairman. Committee Meetings are held not less frequently than once a month. Every member of the society is required to take up at least one share and as many more, not exceeding 50, as the Committee may decide after considering his general position. Shares are of Rs. 20 each, payable by 20 equal half-yearly instalments.

The following are the main items which constitute the working capital :—

Paid up share capital	... ...	Rs. 1494.
Loan from District Bank	... ...	Rs. 14,140.
Loan from Lucknow Municipality	Rs. 6,000.	
		<u>Rs. 21,634</u>

As regards share capital, 441 shares have been subscribed and are being paid up by half-yearly instalments. The loan from the district bank is being repaid by monthly instalments as loans are being recovered from the members. The society was lent Rs. 6,000 by the Lucknow Municipality at 5 per cent repayable in 3 years for the construction of suitable buildings.

Cash loans are granted to members at the rate of 15 per cent, chiefly for the purchase of milch cattle and fodder. Small loans are repayable by monthly instalments, and others according to their object and the condition of the borrower. The borrower is required to furnish two sureties and to sign a pro-note. Loans are ordinarily repaid punctually.

The members buy and look after their own cattle. They also buy their own fodder which is inspected by the Manager. In its corporate capacity the society has leased some pasture land in Lucknow itself for the use of the cattle kept in the dairy premises, and has also leased some pasture land in the Bahraich district to which dry cattle were sent. The Agricultural Department in conjunction with the Municipality was to have started a sullage farm in the neighbourhood, and to have sold fodder to the dairy at reasonable rates as soon as it became available.

The society in its corporate capacity has also secured a convenient site for the dairy near the civil station and cantonments, and has invested about Rs. 8,000 of its working capital in erecting (1) a dairy fitted with modern dairy appliances, together with an office room (2) two shops for the housing of

the cattle, which number 214 and include cows, buffaloes, and calves, and (3) two rows of dwelling houses in which 32 of the members reside including both Mussalmans and Hindus. The cost of each house is debited as a loan to the member occupying it, and when the loan is recovered, the house will become the member's private property. It is proposed, as funds become available, to build (1) additional sheds for cattle (2) quarters for the Manager, and (3) a compound wall.

All animals are milked under the supervision of the Manager. The milk is received direct in the dairy room at the rate of 11 seers per rupee. From there it is sold direct to the public at 8 seers per rupee as whole-milk, or at 12 annas a pound as butter or cream, or at 14 annas a pound as *ghee*. There are about 100 regular customers both European and Indian. The rate of sale approximates to the market rate as there is little demand for milk at a higher rate. The total receipts on account of sales between December 1913 and January 1915 amounted to Rs. 14,468. The milk is distributed personally by some of the members who are remunerated at the rate of 6 annas per house per month.

The society is one of unlimited liability. No dividends are to be paid on the shares of members for 10 years and after that period a dividend limited to 10 per cent will be admissible on fully paid-up shares. At present all profits are carried to reserve fund, which on June 30th, 1914, amounted to Rs. 885. The profits for the following 7 months were Rs. 848. The reserve fund is used as part of the working capital of the society.

The staff consists of (1) a manager on Rs. 35 who has visited some military dairies and been trained in co-operative work : he lives in the compound and supervises the whole institution, (2) a whole-time accountant on Rs. 10 per month, (3) a butter-maker on Rs. 9 per month, (4) 2 salesmen on Rs. 6 per month, (5) 1 bhisti on Rs. 3 per month, (6) 1 sweeper

on Rs. 2-8-0 per month, (7) 1 chowkidar on Rs. 6 per month, and (8) about half a dozen members distributing milk at the rate mentioned above. The total cost of the staff is about Rs. 110 per month.

The dairy, being at the headquarters of the Province of Oudh is fortunate in the amount of supervision which it receives. It is regularly inspected by the Honorary Manager of the District Bank, the Municipal Health Officer, the Sanitary Commissioner with Government, the Superintendent of the Civil Veterinary Department, and the Officers and Staff of the Agricultural Department as well as by the Registrar. The Agricultural Department has put down a small silo in the compound to demonstrate the system of ensilage, and have presented a bull buffalo to the dairy. The Municipal Board has also given a bull to the institution. These two bulls serve only dairy cattle, and a record of their service is regularly maintained.

The Allahabad Co-operative Dairy Society : - In Allahabad there is a milk selling society of which the members belong to three small hamlets close to the civil station. There are separate credit societies in these hamlets which are open to the members of the milk society as well as to the other residents. The milk society has got a shop and compound where the owners bring their cattle twice every day. The milking is done in the presence of the manager and the milk is immediately sold to the purchasers. The members here, as in the first two cases, supply milk to the society at a fixed rate. This society has been going for the last three years. Its organization is simple and the cost of contingencies and establishment are kept as low as possible.

In Bengal the *Dacca Co-operative Dairy* has been transformed from a productive into a distributive society. It now gets its supply of milk, some 5 maunds daily, from the neighbouring cultivators who previously used to obtain advances

from *goalas* and sell their milk through them. The cultivators have now been formed into a co-operative society and they have obtained advances from the Dacca Central Bank to pay off the goalas and to purchase cattle. The cows are milked by recognized milkers and the society places the milk before the consumers. There is a great demand for the milk as there is no adulteration in it, and last year (1915-16) the society made a profit of Rs. 2291 which shows that it has proved an unqualified success. One noticeable result is said to be that the cultivators are now taking better care of their cows. In his Annual Report for the year 1913-14 the Bengal Registrar made the following remarks—"The scheme may be introduced into other big towns. In Calcutta a large portion of the milk supply comes from the villages along the railway lines, and it is possible that if assistance is forthcoming in the shape of extra staff, something might be done to improve the milk-supply". He repeats his opinion again in his latest report (1915-16) :—"I am more than convinced that the most practical solution of the problem of milk supply in large cities lies in the formation of distributive societies on the basis of the Dacca Co-operative Dairy."

In Bombay Presidency a few co-operative dairy societies are already at work and the formation of others is in contemplation.

The Alibag Co-operative Dairy Society was registered on the 2nd of April, 1915. Its number of members is 35 of whom 28 are cultivators producing milk and marketing it through the society. The milk is obtained from the villages, Veshwi and Mula which are at a distance of two miles from the town of Alibag.

The Society has put up two milking sheds at a cost of Rs. 340—one at Veshwi and the other at Mula. The members keep their animals in their own houses, but bring them to the Society's milking sheds twice a day at the appointed

hours in which they milk them under the supervision of the representatives of the Managing Committee. The work of supervision is done at Veshwi by the clerk of the Society and at Mula by a member of the Managing Committee. The Society keeps its own milking pails, and one is given to each member for drawing the milk of his animals into it. The milk thus drawn is measured and handed over to the Society. Each member carries a pass book with him, in which the quantities supplied by him to the Society are regularly entered. All milk thus collected at each centre is put in a big brass can, which is locked and sent to the town on headload with a servant of the Society for delivery to registered customers.

All the pails, cans and other utensils of the Society are kept in a perfectly clean condition. Every utensil used in handling milk is first washed in cold water, then in warm water with some washing soda in it and finally in boiling water and dried. Before milk is drawn from the animals, the hands of the drawer and the udders of the animals are washed and rubbed with muslin. Bar-soap is kept and freely used.

The total number of customers was 76 ; and the total quantity of milk supplied to them in September 1915 was 2,700 seers. All milk taken by the Society from the members is distributed to customers and no surplus is left on hand."

The Society takes milk from the members at a little over nine seers a rupee and supplies it at eight seers a rupee to the customers. After deducting expenses, a small margin of profit (about Rs. 6) is left to the Society. The members are prevented from adulterating their milk with water, and yet they get good prices and save a good deal of time, which they used to spend before joining the Society, in hawking about their milk. They are entirely satisfied with the prices which they now get. Besides, they get loans from the Society at 9 $\frac{1}{2}$ per cent. for purchasing animals and

foodstuffs. The public of Alibag are fully satisfied with the quality and the price of the Society's milk. The Society is now arranging to keep a good buffalo breeding bull for serving the members' she-buffaloes. It has also secured some grazing land from the collector for the use of the members' she-buffaloes, which, with the bull proposed to be obtained from Gujarat, are to be constituted into a herd.

The Belgaum Co-operative Dairy Society consists of 24 members, of whom 20 are milk-producing *goalas* and supply their milk to the Society. The *goalas* at present keep their animals in the town and bring them to two milking centres for milking them under the supervision of the manager. The arrangements as regards cleanliness and the collection, transport and distribution of milk are similar to those of the Alibag Dairy Society. The Society has applied to the Municipality for building a shed outside the town for housing the animals of the members of the Society. The Belgaum Dairy Society markets about 3,500 seers of milk a month. The public of Belgaum are entirely satisfied with the quality and price of the milk.

The Thana Co-operative Dairy Society has got a shed in which some animals of the members are kept ; other members keep the animals in small huts near the Society's shed. Milk is drawn in the presence of the manager. The arrangements as regards cleanliness and transporting and distributing milk are exactly on the lines of the Alibag Society. The total quantity of milk marketed by the Society every month is about 6,000 seers. The Thana people are fully satisfied with the quality of the milk. In this Society, some of the producing members are *goalas* and others *non-goalas*. The Society has got more than 200 families as its customers.

In Bihar two co-operative dairy societies have been started viz., at Gaya and at Bhagalpur. The constitution is the same in both cases. They have unlimited liability and

no share capital. The working capital is borrowed from the Central Bank. The system of work is as follows: The members own their own cattle, and make their own arrangements regarding their feeding. They live near the society's office and simply bring in their cattle at some stated time and milk them in the presence of the Manager who puts the milk in sealed cans and sends it for sale through paid carriers. The members are paid at 10 seers per rupee, while the society sells at 8 seers. The members are allowed to take 50 per cent of the surplus profits as bonus after carrying over 25 per cent to the reserve fund.

Co-operative *ghee* societies are also springing up. There are two such in Allahabad. Their work has been entirely separated from the credit work done by village societies. The Allahabad *ghee* societies are flourishing. The members of *ghee* societies are also cultivators and are more amenable to reason and method than milk-sellers. There is much less risk in the *ghee* business as the product is not as perishable.

BY-LAWS OF THE CO-OPERATIVE DAIRY SOCIETY, UNLIMITED.*

I.—Preliminary. 1. The name of the Society is the..... Co-operative Dairy Society, Unlimited, and its registered address is at , Taluka....., District..... . Any change of addresses shall be notified to the Registrar within 14 days.

2. The objects of the Society are to advance loans to its members for enabling them to purchase and maintain milch animals, to assist them to produce pure milk and milk products, to secure a steady and profitable market for their dairy produce, and generally to develop dairy-ing on proper lines.

* [Issued from the office of the Registrar of Co-operative Societies, Bombay. These provisional by-laws have been adopted for about eight Co-operative Dairies in Bombay Presidency].

II.—Funds. 3. Funds may be raised—

- (a) by issuing loan-bonds of Rs.....each, bearing fixed interest at.....per cent.;
- (b) by receiving deposits;
- (c) by raising loans; and
- (d) by donations.

4. The amount of capital to be raised by the sale of loan-bonds shall not exceed Rs..... . The nominal value of each loan-bond shall be Rs..... The General Meeting shall decide what sum shall be paid on allotment, and by what instalments (if any) the balance shall be called up.

5. Deposits and loans may be received for fixed periods at such rate of interest and to such an amount as may be determined by the Managing Committee; provided that the total of loans and deposits shall never exceed eight times the subscribed loan-bond capital plus the reserve fund.

6. The funds of the Society when not utilised shall be invested or deposited as required by section 32 (1) (a), (b) or (d) of the Act.

III.—Membership. 7. No person shall be a member unless—

- (1) he is a resident in
- (2) his written application for membership has been approved by a majority of the Managing Committee;
- (3) he has paid an entrance fee of rupee 1 ; and
- (4) he has taken at least one loan-bond and paid the amount within 15 days of allotment.

Members who signed the original application are exempt from condition 7 (2).

8. Not less than $\frac{3}{4}$ of the total number of members shall be *bona fide* producers of milk or milk products, for sale.

9. Any member may withdraw from the Society at any time, with the sanction of the Managing Committee; but this will not be given while he is in debt to the Society.

10. A member of the Society may be expelled by a vote of the General Meeting—

- (1) if he is a persistent defaulter;
- (2) if he wilfully deceives the Society by false statements;
- (3) if he is bankrupt or legally disabled;
- (4) if he is criminally convicted; or
- (5) if he intentionally does any act likely to injure the credit of the Society.

II. A person ceases to be a member—

- (1) on death ;
- (2) when his resignation is accepted by the Managing Committee ;
- (3) on expulsion.

IV.—Loan-bonds.—12. Application for loan-bonds shall be made in writing, and shall be disposed of by the Managing Committee.

13. Every member of the Society shall be jointly and severally liable for the debts of the Society.

14. Any member of the Society may, by a writing under his hand deposited with the Society, nominate any person other than a servant or officer of the Society, to whom the whole or any part of his interest in the Society could be transferred in the event of his death. A fee of four annas shall be charged for recording such nominations and any subsequent revocation or variation.

15. On the death of a member the amount standing to his credit by way of loan-bonds or dividends shall, subject to deductions on account of his liabilities, be paid to his heir nominated by him, or in the absence of such nominee, to such person as may appear to the Committee to be entitled to receive the amount as heir or legal representative of the deceased member, on his executing a deed of indemnity to the Society.

V.—General Meetings.—16. The first meeting of the members shall have the same powers as are herein given to the Annual General Meeting.

17. The Annual General Meeting shall be called in the month of April. Its duties are—

- (1) to elect a Managing Committee, to appoint a Secretary and any other officers required for the ensuing year, and to fix their remuneration ;
- (2) to appoint persons to audit the accounts of the Society during the ensuing year ;
- (3) to receive from the Committee a report on the preceding year's working of the Society, together with statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the year ;
- (4) to consider the audit memo and any other communication from the Registrar ;
- (5) to fix the amount of capital to be raised under by-law 5 ;
- (6) to consider the supply and sale of milk and milk products in the past year, and to determine in what way dealings shall be carried on during the next year ;

(7) to fix the commission to be charged by the Society on the price realised by sale of members' milk and milk-products or to fix the prices at which the Society shall take them from members and market them ;

(8) to consider any other business duly brought forward.

The proceedings of General Meetings shall be recorded in the minute book.

18. A Special General Meeting of members may be called at any time by a majority of the Committee, or on receipt of a requisition from one-fifth of the members or from the Registrar.

19. In the case of the Annual General Meeting 14 days' notice and in the case of a Special General Meeting 7 days' notice shall be given by the publication of a written notice outside the office of the Society, and in any other conspicuous place that may be convenient. The notice shall specify the date, hour and place fixed for holding the meeting, and shall state the nature of the business to be transacted at the meeting.

20. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting, provided that he may not so propose the expulsion of another member or alteration in the by-laws or in the rates of interest affecting loans or deposits.

21. Two-fifths of the total number of members or 25 (whichever is less) shall form a quorum at a General Meeting. If on the day of the meeting there is no quorum, or if all business is not completed, the consideration of the remainder of the business may be abandoned or adjourned to any other day. If on the day to which the meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

22. At all General Meetings the President shall be elected by the members present.

23. The President shall have a casting vote in addition to his ordinary vote. Every member shall have one vote.

VI.—Managing Committee.—24. The Managing Committee shall consist of not less than five members or more than seven. Three members shall form a quorum. It shall elect its own Chairman, who shall have a casting vote. When present he shall preside at all Committee Meetings. When he is absent the members present may elect a Chairman from among themselves. Every committee member has one vote ; but the Chairman is entitled to give a casting vote.

25. Subject to the by-laws and the resolutions passed at a General Meeting, the Managing Committee shall have full authority to carry on the business of the Society. It shall meet for the transaction of business not less often than once a month.

26. Vacancies on the Managing Committee from death or any other cause shall be filled up at the next ensuing General Meeting by election.

27. A Committee minute book shall be maintained by the Secretary, in which the names of members present and proceedings at each Meeting shall be recorded. It shall be open to the inspection of all members.

28. No member shall be present or vote on any matter in which he has a personal interest.

29. The duties of the Managing Committee shall be—

- (1) to appoint, suspend, punish or dismiss all salaried servants of the Society, subject to by-laws 16 (1) and (2) ;
- (2) to advance loans to the members for purchasing milch-animals and maintaining them ;
- (3) to arrange, if necessary, for the construction or hire of milking sheds and other buildings ;
- (4) to arrange for members' animals to be milked, if necessary, under the supervision of the Society's staff ;
- (5) to see that the members' animals are properly fed and housed ;
- (6) to arrange for the proper handling and sale of the members' milk and milk products or for manufacturing cream, butter or *ghee*, and marketing them at profitable prices ;
- (7) to keep, if possible, a milk-register for recording the milk yield of each of the members' animals, and to record the results of tests made to ascertain the quality of their milk ;
- (8) to arrange for the joint-purchase on commission of feeding stuffs required by members for feeding their milch-animals ;
- (9) to hear and deal with complaints ;
- (10) to examine and check the accounts ;
- (11) to prepare the annual balance-sheets ;
- (12) to enquire into and take action in cases of arrears ;
- (13) to raise loans and receive deposits ;
- (14) to institute, defend or compromise legal proceedings ;
- (15) generally to conduct the business of the Society.

30. An appeal shall lie from all decisions of the Managing Committee to the General Meeting.

31. It shall be the duty of the auditors appointed under by-law 16 (2) to audit the accounts and documents of the Society quarterly ; and of

the Managing Committee to produce all the requisite books for their inspection.

32. The Managing Committee shall control the Secretary, whose duties shall be :—

- (1) to carry on the correspondence of the Society, and to maintain all its books, accounts and registers ;
- (2) to maintain cleanliness in the Society's milking sheds ; to see that the milk of the members' animals is drawn and handled properly ; to carry out the Committee's orders regarding the transporting and sale of the Society's milk ; or manufacturing cream, butter or *ghee* from it and selling them ; to collect the Society's dues and to prepare receipts and vouchers ;
- (3) to receive and disburse money on behalf of the Society, under the orders of the Managing Committee ;
- (4) to attend to all other business entrusted to him by the Managing Committee.

VII.—Production and Sale of Milk and Milk-products.—33. The Managing Committee shall secure a dairy room in which milk shall be strained and cooled and milk or milk-products stored.

34. The Managing Committee shall find customers for purchasing the Society's milk and supply pails, cans, bottles, &c., for transporting and distributing milk. It may dispose of surplus milk as it thinks best in the interest of the Society.

35. Every member of the Society producing milk and milk-products for sale shall be bound to market the same through the Society.

36. A pass book shall be issued to every member supplying milk and milk-products to the Society, and the quantity supplied by him shall be regularly entered into it.

VIII.—Deposits.—37. Deposits may be received at any time within the limits fixed by by-laws 5 and 16 (5) either in the current account or for a fixed period. A pass book shall be supplied to each depositor in which interest shall be credited yearly on April 1st.

38. After the period of a fixed deposit has expired, interest shall be paid on it at current deposit rate, unless the deposit has been accepted by the Committee for a further fixed period.

39. Cash loans for purchasing milch-animals and food stuffs repayable in not more than a year and for liquidating old debts repayable in not more than 2 years may be granted to any member by the Managing Committee. Not more than one-eighth of the total amount on loan shall at any time be for the liquidation of old debts. The rate of interest on

loans shall not be less than 2 pies per rupee per month. The amount of loans advanced to a member at any time shall not exceed Rs.

All loans shall be repayable by equal monthly instalments, which shall be deducted from the amount due from the Society on account of milk supplied. The supply of food stuffs on credit shall be treated as a cash loan.

40. Not more than one-fourth of the total amount lent by the Society shall be on loan at any time with the members of the Managing Committee.

41. The Committee shall prescribe the instalments by which loans are to be recovered and may grant extension when necessary. Penal interest at the rate of 3 pies per rupee per month shall be levied on instalments not repaid within 14 days of the due date.

42. Every loan shall be secured by taking two sureties or mortgage of moveable or immoveable property, at the discretion of the Committee. For every loan, a bond shall be executed stating the rate of interest, the date of instalments and the nature of security.

X.—Distribution of Profits.—43. Not more than three-fourths of the net profits may be utilised for giving a bonus to members in proportion to the milk supplied by them and the remaining one-fourth added to the Society's reserve fund.

44. The dividend shall not exceed $6\frac{1}{4}$ per cent. except with the sanction of the Registrar.

XI.—Reserve Fund.—45. In addition to the sum prescribed under section 33 of the Act, all admission fees, fines and donations, shall be carried to reserve.

46. Not less than half the reserve fund shall be deposited with some outside Society or Bank approved by the Registrar.

47. Any loss on the year's working may, with the previous sanction of the Registrar, be made good from the reserve fund.

XII.—Accounts and Records.—48. Accounts and records shall be maintained in the forms prescribed by the Registrar, with such additions as the Managing Committee think necessary. The Chairman and Secretary have power jointly to execute documents, grant receipts, and sign loan-bonds on behalf of the Society.

49. Any member of the Society may inspect any of the registers or records during office hours so far as they relate to his own business transaction.

50. Before April 15th annually the Managing Committee shall draw up statements showing the receipts and expenditure, assets and liabilities,

and profit and loss for the previous year. A copy of these statements shall be supplied to the Government Auditor.

XIII—Amendment of By-laws. 51. Subject to the rules framed by the Local Government, by-laws can be amended, provided that notice of the amendment has been given to the Registrar and the members at least 10 days prior to the Meeting. Amendments take effect after being registered under section 11 (3) of the Act.

Dated _____ 191 .

Signatures.

VI. Miscellaneous Agricultural Non-credit Societies.—

(a) *Copartnership Tenancy Societies in Burma.*—Burma reports an interesting form of co-operation which is being used in reducing the difficulties of colonization in areas lately brought under cultivation. The latest of these experiments is in the Kadonbaw Tract in the Hanthwawaddy District where a forest reserve has been disafforested, and thrown open to cultivation. The tract covers about 23000 acres. The area is leased to co-operative societies formed by groups of cultivators migrating to the area and not granted or leased to individuals. The tenure is a co-partnership tenancy without share capital, the funds for the initial breaking up of the land being taken from Government in the form of agricultural advances. The money is lent to societies at the ordinary rate of interest and they make advances to their members at higher rates. The difference in the rates of interest and the margin of rent over land revenue form the reserve fund which will amount to a substantial sum in the course of a few years. Thirteen settlements have already been formed each with its own society and loans have been granted sufficient to meet all reasonable needs of the colonists.

The experiment is one of very great interest since it represents an attempt to combine the communal system of cultivation with principles of co-operation. As far as it has gone the experiment promises to be successful.

(b) *Co-operative Irrigation Societies.*—Some interesting schemes for irrigation on co-operative principles are being tried in the United Provinces. One of these is the Kunwar Co-operative Society for pumping water from the Gumti at a place in the Sultanpur district for distribution in the fields of the members of two or three adjacent credit societies. In this experimental undertaking the Government of the United Provinces is bearing the initial cost which will be realized in instalments from the societies. The latter will levy a rate from each member according to the area irrigated. "If the experiment proves successful," writes Mr. A. C. Chatterji, Registrar of Co-operative Societies, U. P. in the *Indian Journal of Economics*, "as we have reason to hope it will, there is every prospect that we shall be able to organize water supply societies in suitable tracts for the pumping of water from rivers, streams and large shallow lakes and supplying the same to agriculturists who may or may not be members of credit societies. The organization will of course be simpler if all the members of the water supply society are also members of credit societies, for then the collection of dues will offer no technical difficulties. Similar organizations will also be feasible in the case of pumping installations attached to wells with a large supply of water, specially tube wells, in tracts where such wells can be sunk with advantage. It is not possible for individual agriculturists very often to undertake the cost of a pumping installation, but there is no reason why a number of them should not combine for the purpose. The idea is already catching on in some of the western districts e. g. Bulandshahr, and although the pioneer work there in this direction is being performed

by credit societies, I hope that in the near future societies with the sole object of the supply and distribution of water from wells will also spring up".

In Midnapore we have another excellent example of co-operative irrigation. A *bund* for storing water has been constructed by the combined efforts of three societies in the Khelar area. The *bund* irrigates over 500 bighas of land. A co-operative irrigation society has been formed for securing an equitable distribution of water from the bund and for keeping it in proper repair. The original cost of the construction of the bund, which was met by means of a loan jointly taken by a few members of the Murakata Society, will be paid off by the shares which the irrigation society will raise. The irrigation society will also levy a small water-rate for meeting the cost of its repair and other incidental expenses.

(c) *The Lakhikole co-operative sugar factory*.—Another interesting experiment in agricultural non-credit co-operation is the co-operative sugar factory at Lakhikole in the Goalundo sub-division of Bengal. Years ago when the Padma flowed by Lakhikole it was an important place for the sugar industry and there were no fewer than 32 factories on the banks of the river. As the Padma began to recede the industry slowly declined and with the appearance of the cheap Java sugar in the market it disappeared altogether, and the sugar manufacturers took to other occupations. The sudden rise in the price of Java sugar in September 1914 gave the sugar manufacturers an opportunity to take to their hereditary profession and some of them were formed into a co-operative society and with the loans taken they have started a factory and are running it jointly ; so far they are working well. Last year the factory turned out 719 maunds of sugar, and the actual profit made by the members was about Rs. 1000. In view of the fact that the import duty on sugar has been

raised to ten per cent., it is to be hoped that the Lakhikole co-operative sugar factory would be able to turn out sufficient quantity of sugar to feed the local markets and will continue to do so at a profit.

(d) *Cattle-breeding Societies.*—The Cattle-breeding Society at Maroli in Bombay Presidency is an interesting experiment. The members who number 27, have purchased a bull and have made arrangements to seclude their cows from the village bulls. The expense of maintaining the bull has during the year been borne by a well-to-do ryot, so that the society is hardly run on strictly co-operative lines : but as the members learn to appreciate the advantage of proper breeding, it may be expected that they will be willing to contribute the necessary funds.

In the Central Provinces a few co-operative cattle-breeding societies have been started. There is one such society in the Raipur district, which leased 490 acres of grazing land from Government, and commenced with a herd of forty cows and one bull, purchased for them by the Agricultural Department. The members themselves in their villages had no cows fit to be used as the foundation of a breeding herd. The share capital is Rs. 3,000 : the shares are Rs. 100 each. Each member is allowed to have up to six cows on the farm. The cows are branded and remain the member's own property while the bull belongs to the Society.

CHAPTER XIII.

CO-OPERATION AND AGRICULTURE.

The importance of the proper correlation of the departments of Co-operation and Agriculture is obvious and cannot be too strongly emphasised : it is to the interest of both the departments that they should work in close touch with each other. By the establishment of the co-operative movement the propagandist work of the Agricultural Department has been immensely simplified. Improvements can be taken at once to a group of cultivators bound together by common interests instead of to isolated individuals working selfishly. By the provision of credit improved methods, expensive though they be, have been brought within the reach of the small cultivator. And by co-operation facilities for the more favourable disposal of his produce have also been provided. The small cultivator is lifted out of his narrow and restricted surroundings and brought into direct touch with outside markets.

It is in the use of credit societies for distributing improved seed and implements, and in the general supervision and development of the various forms of agricultural non-credit societies, that the help of the Agricultural Department can most usefully be afforded, and it should be given—as it is already given in many provinces—fully and ungrudgingly. Provided that it uses the societies not for experimenting in new processes, but strictly for popularising improvements, the Maclagan Committee think that nothing but good can be expected from the assistance of the Agricultural Department.

This subject of the closer co-ordination between the two departments came up prominently before the last meeting of

the Board of Agriculture held at Pusa. The question before the Board was—*How to organise the relations between the Co-operative Societies, whether dealing with credit or some other branch of agricultural organisation, and the Agricultural Department? Whether there is any need to encourage Agricultural Associations in view of the special facilities possessed by co-operative societies for carrying on propaganda?* It was considered by a strong Committee including two Registrars of Co-operative Societies which made ten recommendations and these with slight modifications in some cases were passed as resolutions.

(1) Agricultural Associations perform useful functions where a central co-operative association either does not exist or is not fully developed and even where such associations do exist there is no need to discourage Agricultural Associations when the members really undertake pioneer work. But when central co-operative associations are fully developed the Agricultural Department should use them first and foremost as a means for demonstration and introduction of improvements and should concentrate its attention on them. This view of the Committee was accepted by the Board.

(2) The next question was with regard to the finance of Central Banks: whether it is desirable that separate capital should be set aside for agricultural improvements which should be distinct from the banking capital. It was pointed out that a Central Bank would involve itself in difficulties if it were to start trading on a large scale. The Board agreed with the view of the Committee that the working capital of the bank should not be employed in commercial enterprises. For the distribution of seeds, implements and other similar activities the bank should either act as an agent or raise separate capital or make allotments out of profits or reserves. The agency system has been found to work satisfactorily in the Central Provinces. But a form of Central Association with separate share capital in which

societies or individuals would become shareholders might well be developed. All dealings of this kind should be for cash only and members must, if necessary, borrow from their credit societies for these purposes.

(3) It was resolved that where credit societies exist in any village they must be utilised for getting orders for seed, etc., but as societies they should not engage in trade but only give loans to their members to make purchases. Agreements to purchase should be taken from individuals before orders are given. Where no credit societies exist co-operative associations, such as those working in the Northern Circle of the Central Provinces, might be found useful. The Board resolved that unregistered co-operative associations for the supply of pure seed, etc., should be discouraged.

(4 & 5). In connection with the steps to be taken to bring the officers of the Agricultural and Co-operative Departments into closer touch, etc., the board resolved that this could be done by making the staff of the Agricultural Department familiar with the principles of co-operation and by giving to the staff of the Central Bank such practical training in agriculture as may be necessary and possible. The other step considered necessary for this purpose was that, in addition to Agricultural Inspectors and Assistants who are to be appointed in each district, a Government official, who should be subordinate to the Deputy Director and the Agricultural Inspectors or Assistants, should be attached to each Central Bank which is sufficiently developed. Such a man should be a practical cultivator who can read and write.

(6 & 7) The Board resolved that Government should bear the cost of all demonstration work in each area, and for this purpose they should find the money. It was also resolved that in places in which the Agricultural Department proposes to open demonstration farms in tracts in which there are also well-developed Central Banks one at least should be started

at the headquarters of such banks at the expense of Government.

(8) As regards cattle insurance the opinion of the Board was that it is unsafe unless adequate arrangements are made for dealing with outbreaks of epidemic diseases and that the fixation of tariffs depends on local conditions based on more satisfactory actuarial data than those available at present.

(9 & 10) The proposals for the Development Commissioner made by the Committee on Co-operation in India did not commend themselves to the Board. While the Board desires to emphasize the necessity of adequate programmes of general development and of the regular allotment of funds it considers that in respect of the Co-operative movement and of the Agricultural Department these proposals are unsuitable. It appears from the report that the officer appointed to this post would be mainly selected on account of his qualifications as a co-operative organiser, which means the appointment of a non-technical officer at the head of the Agricultural Department. Again, where the Director of Agriculture and the Registrar are directly under Government it would involve extra delay and loss of efficiency if another officer is appointed between them and Government. The real improvement in the opinion of the Board lies in placing these officers under the direct control of Government in the provinces where they are at present under a Financial Commissioner or Board of Revenue. The necessity of a closer connection between the Co-operative and Agricultural Departments was, however, recognised, and the Board recommended that co-ordination should be secured by the formation of a Board consisting of the Registrar, the Director of Agriculture and the Director of Industries where he exists, which would meet from time to time and make their joint representations to Government when necessary. It was further resolved that it would be a

good thing if some at least of the Directors of Agriculture could attend the Imperial Conference of Registrars.

In accordance with the last resolution the officers of the Agricultural Department of Bengal met the Registrar of Co-operative Societies at Dacca in August last. It was agreed that the two departments could be of considerable mutual benefit in the distribution of seeds and manures. It was also agreed that the Co-operative Department should assist in the proposed demonstration of improved *gur* making in the Date Palm Districts and should form Co-operative Sugar-making Societies.

The following suggestions have been made with regard to the means by which the co-operative movement may be brought into touch with the Agricultural Department:—

(1) The societies and the organizers may be made use of by the Agricultural Department for the dissemination of agricultural information and the distribution of pamphlets. One of the principal needs of the Agricultural Department is a means of making its improvements known to the ryots and co-operative societies may supply the channel by which the discoveries and improvements of the Agricultural Department may be made known to the people.

(2) Societies may be induced to finance agricultural improvements, especially when the ryots are anxious to make use of any implement or any particular kind of manure, but are prevented from doing so for want of funds.

(3) Special Agricultural Societies may be formed for the distribution of manures or the production of any particular kind of crops and societies may also be formed for the joint sale of agricultural products.

(4) Arrangements may be made for the attendance of the Agricultural Inspectors at the annual meetings of the central banks and the opportunity may be taken to give

advice and illustrative lectures to the members and an exhibition of the working of new and improved implements.

(5) The central banks may require one or two intelligent cultivators to undergo a course of training at an agricultural farm and the banks may be induced to bear the expense. The inspecting staff and the local inspectors employed by the central banks may receive a training at an agricultural farm and as they will constantly go round the societies, they will be in a position to advise the villagers about agricultural improvements.

(6) The central banks which are conveniently situated may act as depôts or agencies for the sale of improved tools, seeds, manures and appliances.

(7) It is desirable that the District Agricultural officers should become personally acquainted with the members of Co-operative Societies, and that the Co-operative officers should keep in close touch with the District Agricultural officers and Farm Superintendents in the areas in which they work.

CHAPTER XIV.

NON-AGRICULTURAL NON-CREDIT CO-OPERATIVE SOCIETIES.

I. Industrial Co-operative Societies.—

Next to agriculture which engages 70 per cent of the total population of India, it is the cottage industries which have given employment to many a rural family in India : no less than 1,66,92,000 people are engaged in small workshops and home handicrafts in different parts of India. It is extremely desirable that special steps should be taken for the development of cottage industries which even now play an important part in the economic life of India. It is believed that under proper guidance the cottage industries will still survive the stress of factory competition.

With regard to the majority of cottage industries, combination and co-operation may solve many of the existing difficulties. As Mr. Swan suggests in his *Report on Industrial Development in Bengal*—“Co-operative credit societies should be established among cottage-workers, such as cotton-weavers, silk-weavers and brass-workers. The officer in charge of these societies should assist in the purchase of raw materials and in finding markets for the finished article.” At present the cottage-workers experience difficulties with regard to the supply of raw materials and the sale of finished products : they, too, like the agriculturists have to buy their finance dear and sell their products cheap. Their industries are wholly in the hands of middlemen, who supply them with raw materials, very often at exorbitant rates, and take over the finished products at a price which leaves the artisans very little margin of profit and which reduces them to starvation

wages. Co-operation will not only enable cottage industries to get a supply of raw materials at wholesale rates, but it will enable them to dispose of finished products at an advantage. It will also enable them to obtain improved machinery, which is beyond the means of individual workers.

But in order that co-operation might take an effective share in developing rural industries, we should have for every province an exhaustive survey of existing industries—their past history, present condition and possible future prospects. It is only after such a survey has been made that co-operative efforts can be directed into fruitful channels. As might have been expected the importance of the co-operative movement as a possible agency for the development of cottage industries has been given due recognition in the enquiries of the Royal Commission on Indian Industries. It is to be hoped that the Report of that important Commission would contain an exhaustive survey of the various cottage industries whose fame once travelled beyond the shores of this country and practical suggestions for the promotion of co-operative industrial enterprises.

The most deserving class of these cottage workers are the weavers who form an important industrial group in practically every part of India. Weaving mills have made great progress during the last few years and the pressure of their competition is making it more and more difficult for the hand-loom weaver to maintain himself. Though hard hit, he has not, however, yet succumbed. In many districts the cloth of the hand-loom weaver is preferred for its superior wearing qualities and its more popular patterns, and this is particularly the case with regard to silk work. In 1911 there were in the Bombay cotton industry 193,000 workers in mills as against 267,000 home workers, and in the silk industry 2,000 mill workers, as against 23,000 home workers. These figures show that the home industry is very far from

being dead. If, however, the hand-loom weavers are to survive the effects of the fall in prices brought about by power looms, they can only do so by adopting any modern improvements in the form of their looms that will enable them to increase their output, by buying their yarn in the cheapest market, and selling their cloth to the best possible advantage.

Local Governments—specially those of Bombay and Bengal—have taken measures to popularise, as far as possible, the most useful modern improvements. But weavers generally find that it is usually useless to adopt improved methods and to increase their production while they continue to depend on their money-lenders for advances with which to carry on their business. These money-lenders arrange matters in such a way that very little of the increased profit goes to the weavers themselves. In order to free the weavers from this economic serfdom and to enable them to secure a fair share of the profits of their industry, it is believed that they will find it to their advantage to establish co-operative societies in as many centres as possible. The first object of these societies is to grant them cash advances on easy terms. A weaver has generally to spend Rs. 25 to Rs. 50 per loom per month in the purchase of yarn. The money-lender usually advances this yarn to him at an interest of about 18 per cent, and insists also on his selling the manufactured cloth to him at such a rate as he may decide. Very few weavers are rich enough to buy yarn out of their own capital and to carry on the business independently of the money-lender.

The co-operative society will take the place of the money-lender, and its result will be not only that weavers will obtain loans at easy rates, but that such profits as accrue will belong to the weavers themselves jointly instead of falling into the hands of the money-lenders. This type of

society is, in the opinion of the Maclagan Committee worthy of support, both because weavers are a numerous and poor class, whose earnings have, in recent years, been seriously diminished by the competition of the mills, and also because any method by which the cottage industries of the country can be preserved would deserve a prolonged trial.

It is gratifying to note that attention has already been directed in this province towards the development of this form of co-operation and that as a result, an Inspector of Weavers' Societies has been appointed and seventeen Weavers' Societies have been started in different parts of Bengal. A proposal is also under consideration for organising a central store in Calcutta for the sale of the products of these societies. In the presidency of Bombay also more than thirty Co-operative Societies have been formed entirely of weavers with the object of buying yarn, dyes, implements, etc., at wholesale prices, advancing cash loans to weavers, and helping to some extent in the sale of cloth during the slack season. The Bombay Registrar remarks—“Owing to the apathy and ignorance of the weaving classes, the success obtained has not yet been very striking. But here and there results have been remarkable, and there is no reason to think that the plan itself is at fault.” Besides the handloom weaving industry there are in Bengal, for instance, many other cottage industries which can be developed by the adoption of co-operative methods. Thus—

- (1) There is a promising field of work among the silk-reelers of Malda and Jangipur for the purchase of improved reeling apparatus and for the joint sale of the silk spun by the members.
- (2) Among the brass and bell-metal workers in almost every district of Bengal societies may be formed for the introduction of labour-saving appliances and for the joint sale of the utensils.

- (3) Societies may be formed amongst potters for the production of a better class of articles and among carpenters for the supply of wood and for the sale of finished products.
- (4) The Mother of Pearls Button industry, recently started at Dacca, can be improved and developed by starting co-operative societies for the purpose of getting better classes of shells and also for the introduction of labour-saving machinery and joint sale of the articles manufactured.
- (5) Carpet-weaving and blanket-making are also industries which can be organised co-operatively.
- (6) Attempts may be made to organize societies at suitable centres amongst blacksmiths for manufacturing agricultural implements of an improved kind at a cheaper price. Improved tools and improved designs may be introduced among these men through the medium of co-operative societies.
- (7) Mat-making is another industry in Bengal which can be developed on sound lines by co-operative methods.

At a meeting recently held under the auspices of the London East India Association, Lord Islington rightly declared that the application of co-operation to industry was of supreme importance in India. "My experience of co-operation," he added, "which has been by observation, in some cases minute and intimate, of its working in many countries distant from this, both within the Empire and outside, justify me in saying that it should be regarded as a vital and essential element in the successful progress of industry, and essentially the industry of agriculture. Its application to industry in India is of supreme importance. *Those responsible should bind together to encourage, in every way they possibly can, the widest possible extension of native*

industries. The scope and capacity for extending these industries is quite limitless in India, and it only requires encouragement and facilities."

In response to this appeal, as it were, a new Association called "the Bengal Home Industries Association" has recently been started in Calcutta under distinguished auspices. It might as well have been called "the Bengal Industrial Organization Society"—for it is expected to do for the industries of Bengal what the Irish Agricultural Organization Society has done for agriculture in Ireland. The main functions of the newly formed Association in Bengal should be (1) to create a demand for the products of home industries by educating and informing public opinion in favour of them, (2) to teach the necessity for combination and co-operation amongst our cottage-workers both for purposes of production and sale of commodities, and (3) to organize industrial co-operative societies. The organization of individual industrial societies in scattered villages will not, however, be satisfactory. There should be an Industrial Organization Society in every district for helping the formation of such societies and for arranging for the disposal of the products. Over these district organizations there should be in the capital city of the province a Provincial Industries Store in charge of expert business-men who will receive salaries and commission on sales effected. The expenses in connection with the Provincial Industries Store should, at the outset, be met by the State, but when a sufficient number of industrial societies has been formed, they may be taken over by these societies in the same way as the audit charges are now met by the agricultural credit organizations.

**BY-LAWS OF THE WEAVERS' CO-OPERATIVE SOCIETY
WITH UNLIMITED LIABILITY.***

Name of the Society. 1. The Society shall be called.....

It is registered under the Co-operative Societies Act II of 1912.

Registered Address. 2. The registered office of the Society shall be at.....Post Office.....Thana.....Subdivision.....District.....

Objects. 3. The object of the Society is to improve the condition of the weavers who are its members by encouraging thrift, self-help and co-operation among them. And in furtherance of the above-mentioned objects, the Society shall be at liberty.—

- (1) to raise funds by way of loans, deposits or otherwise by making use of the combined credit of the members ;
- (2) to grant cash advances to the members for necessary objects at a moderate rate of interest ;
- (3) to purchase raw material required for the weaving industry at wholesale rates and to retail the same ; .
- (4) to purchase improved machinery to be sold or to be hired out to its members ;
- (5) to buy and retail improved dyeing materials ;
- (6) to arrange for the disposal of the finished products of the members or to assist the members in finding markets for the same ; and generally
- (7) to do all such things as are conducive or incidental to the attainment of the said objects.

Membership. 4. Every member of the Society must be—

- (1) a *bona-fide* weaver ;
- (2) ordinarily resident within.....;
- (3) of good character ;
- (4) of not less than 18 years of age except in the case of a minor heir of a deceased member ;
- (5) not already a member of any other Society, the liability of which is unlimited.

5. Every member shall pay an entrance fee of—and shall subscribe at least one share. Members shall also be required to sign their names or put their thumb marks in a Register of Members to be kept by the Society in token of their acceptance of these by-laws.

6. The members of the Society shall consist of—

- (a) those persons who have subscribed to the application for registration and to these by-laws ;
- (b) such persons as shall hereafter become members of the Society by election according to these by-laws.

7. Notwithstanding anything contained above, persons who are not weavers but who are otherwise eligible for admission may be admitted as members provided that the total number of such non-weaver members shall not exceed three or one-tenth of the total number of members of the Society, whichever is greater.

Election of Members. 8. Every person desirous of becoming a member shall apply to the Committee of Management, which, after careful consideration, may elect him as a member or refuse his application. If more than one-fourth of the members of the Society object to the admission of any person as a member, he shall not be admitted. As soon as a member has been elected, he shall sign the Register of Members, pay the entrance fee and subscribe at least one share.

9. The widow, legal heir or nominee of a deceased member, if elected within three months of his decease, shall be exempt from the payment of entrance fee.

Cessation of Membership. 10. Membership shall cease by (a) expulsion (b) bankruptcy (c) insanity or (d) death. A member who permanently removes his residence from the prescribed area shall ordinarily cease to be a member unless specially permitted by the Committee of Management. But in that case he shall not be allowed to vote at any meeting or to act as an office-bearer or to take loans.

Any member can at any time after three years of his first becoming a member withdraw from the Society after giving notice to the Committee, provided there are no debts due by him to the Society.

Suspension and Expulsion of Members. 11. The Committee of Management may suspend or expel a member—

- (1) for any breach of these by-laws, or of the rules of the Society ;
- (2) for wilful default ;
- (3) for any conduct proved to their satisfaction by which he may weaken the credit of the Society or bring it into disrepute.

12. All such cases shall be referred for confirmation to a general meeting, which must be called within two weeks of the verdict. Suspension may be confirmed by a majority of members present at the

general meeting, but for expulsion a vote of not less than three-fourths is necessary.

Shares. 13. The shares shall be valued at Rs. 50 each. Each member shall be required to take at least one share but no member shall be allowed to subscribe more than ten shares. Shares shall be paid up in ten years by yearly instalments of Rs. 5 each.

Members shall be at liberty to make payments of the annual instalments on account of shares in sums of not less than As. 4 at a time provided that the full payment on account of each share is made before the 31st December every year. The ten years within which the share payments shall be completed shall be held to run from the 1st January following the date of the first subscription to the share.

14. If membership ceases by withdrawal, expulsion or bankruptcy before a share is fully paid up, the member, his nominee or heir, as the case may be, will be paid the amount of his share subscriptions after deducting any sums due from him to the Society without profits, on the completion of ten years from the date of admission ; and in the case of cessation of membership on the above grounds after a share is fully paid up, the member, his nominee or heir, as the case may be, shall be paid his share subscriptions after deducting any sums due from him to the Society with profits on the close of the next working year of the Society.

15. If membership ceases owing to insanity or death—

(i) if the widow, heir or nominee, as the case may be, is eligible for admission, he may, on application, be admitted as a member in the place of the insane or deceased member, with his full rights and liabilities, or, if he do not desire admission, be paid the full amount of the share subscription, after deducting any sums due to the Society, without profits if his shares have not been fully paid up or with profits if his shares have been fully paid up on the close of the next working year of the Society ;

(ii) if the widow, heir or nominee be ineligible for admission on account of permanent non-residence or bad character, he shall be paid at once the full amount of share subscriptions standing to the credit of the insane or deceased member after deducting sums due to the Society and all interest in the share or shares of such insane or deceased member shall lapse to the Society.

16. Each member at the time of admission shall record in respect of each share taken by him, in the share register, the name of the successor to whom he desires that the share money or dividends accruing thereon or

any other moneys due to him shall be paid in case of his death, and the Committee shall be bound to make over sums so due to such nominee.

17. In case a member for good cause cannot pay up his share instalment in any year, the Committee may record the reason in writing and allow him to pay the instalment in the following year along with that due for the following year.

The Funds of the Society and its Borrowing Power.—18. To carry on the work of the Society the Committee of Management may, on behalf of the Society, raise funds by way of loans and deposits or otherwise. The maximum amount of liability shall be determined annually at the general meeting of the Society, but may be revised at any subsequent general meeting during the year.

Liability of Members.—19. The liability of the Society shall be unlimited, *i.e.*, each member equally with every other member shall be jointly and severally liable for the debts of the Society.

20. The liability of a past member for the debts of the Society, as they existed at the time when he ceased to be a member, shall continue for a period of two years from the date of his ceasing to be a member.

21. The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the Society as they existed at the time of his decease.

Representation.—22. All documents creating a charge or obligation on the Society shall be signed by at least three members of the Committee of Management, including the Chairman or the Secretary, provided that in case of receipts for deposits and repayments of loans the Chairman or any office-bearer duly authorised by the Committee of Management may sign.

General Meeting.—23. The supreme authority of the Society shall be vested in the general meeting. The general meeting must exercise a general supervision over the business of the Society, especially over the acts of the Committee of Management and Supervisors, and shall do all things which the interests of the Society demand.

24. The general meeting shall meet as often as may be necessary, but not less than once a year. It shall be the duty of the Chairman and Secretary to convene a general meeting within two months from the close of the previous working year. General meetings shall also be called whenever necessary at the requisition of the Committee, the Supervisors, or members numbering at least one-fifth of the number of registered members subject to a minimum of eight members. At least a week's

notice of the meeting should be given. The meeting shall elect its own Chairman. The proceedings of all general meetings shall be recorded by the Secretary and signed by the Chairman. Each member shall have one vote. Only members present can vote. It is the duty of all members to attend the general meeting. One-fifth of the number of registered members shall constitute a quorum, but if the number of members be less than 40, the number of members required to form a quorum shall be eight. On any question the opinion of the majority shall prevail. In case of equality of votes, the Chairman shall have a casting vote. At every annual general meeting the Chairman shall read out from the by-laws the duties of the general meeting, and shall explain the same to the meeting, before its business commences.

25. The duties of the annual general meeting shall be—

- (1) to review the working of the Society ;
- (2) to elect the Chairman and members of the Committee of Management and to appoint Supervisors ;
- (3) to decide the maximum amount of liability to be incurred during the year ;
- (4) to fix the rate of interest to be paid by borrowers, and to depositors and to determine the terms upon which the raw material required for weaving industry should be advanced to the members ;
- (5) to decide the maximum amount which any member may hold in loans at any one time ;
- (6) to decide what branches of business shall be undertaken during the forthcoming year ;
- (7) to hear all complaints against the Committee of Management and office-bearers ;
- (8) to receive a report of the number of loans and their amount made to members of the Committee of Management during the past year ;
- (9) to give such general direction to the Committee of Management for the management of the Society's affairs as may be necessary and to transact any other business that may be brought forward.

Committee of Management (Panchayats).—26. Subject to the direction of the general meeting, the management of the Society's affairs shall vest in the Committee of Management. The Committee shall consist of not less than five members and not more than nine members, who shall

be elected annually at the general meeting. The Committee shall elect any one of these members as Secretary. They shall meet at least once a month on a fixed day and at a fixed place, and shall record their proceedings in the minute book of the Society which shall be signed by the Chairman and the Secretary. Three members should constitute a quorum, but if the Committee exceeds six members the quorum shall be four. The duties of the Committee shall be—

- (1) to elect new members ;
- (2) to raise funds subject to the provisions of rule 18 ;
- (3) to deal with applications for loans and for advances ;
- (4) to appoint a Secretary and to determine his duties ;
- (5) to carry on the business of the Society with regard to the purchase and sale of yarn, other material, improved looms, dyeing appliances, etc. ;
- (6) to verify the cash balance at every monthly meeting ;
- (7) to take action on the report of the Supervisors ;
- (8) generally to conduct business of the Society subject to the by-laws and any Resolution of the general meeting.

27. The members of the Committee of Management shall be responsible for the good management of the Society. They shall be liable to the Society for any wilful neglect of their duties and for any expenditure of money contrary to the rules and the by-laws of the Society.

28. No Chairman or Secretary shall hold office for more than three years in succession without the previous permission of the Registrar, or shall be eligible for re-election within two years of such period without such sanction.

29. If a member of the Committee dies or resigns or fails to attend three Committee meetings consecutively, the other members of the Committee and the Supervisors may appoint a new man to take his place till the next general meeting.

Duties of Supervisors.—30. The number of Supervisors shall be not less than three. Their duties shall be—

- (1) to see that loans are applied to the purpose for which they were granted, and to bring all cases of misapplication to the notice of the Committee ;
- (2) to watch the security of each outstanding loan, and to keep the Committee informed regarding it ;
- (3) to count the cash in hand, and to submit a report of cash verification to the Committee at least once a quarter ;

- (4) to bring to the notice of the Committee any abuses which they may have observed ;
- (5) to perform such other duties as may from time to time be entrusted to them by the general meeting.

The Committee shall be bound to produce all documents and accounts, and to give every available information to any of the Supervisors.

Raw Material.—31. The Committee of Management may purchase such yarn and other raw material as they consider to be necessary at such rates as seem to them proper.

32. Raw material shall be advanced to members on such terms as the Committee may, subject to the general direction of the general meeting, from time to time, determine.

33. Members are bound to repay the value and the interest charged on such advances out of the sale proceeds of the articles manufactured from the raw material advanced and no further advance shall be granted until such dues are settled.

Cases falling under by-law 44 are excepted from this rule.

34. A member is liable to a penalty not exceeding Rs. 5 at the discretion of the Committee if he applies raw material to any purpose except that for which it is advanced.

Cash Advance.—35. The Society may grant loans to members at a rate fixed by the general meeting which shall not however exceed —per cent.

36. Loans shall be granted for any necessary purpose. An advance to a weaver for weaving purposes shall not ordinarily exceed for each loom owned by him.

37. Loans shall be granted on the security of one personal surety if the amount does not exceed Rs. 25 or two personal sureties if the amount exceeds Rs. 25. In addition to this, the Committee of Management may take mortgages of immovable property by way of collateral security.

38. If a borrower fails to pay interest or any instalment of principal and the Committee of Management does not grant an extension of time, the whole loan shall become immediately due and payable, irrespective of any conditions on which the loan was granted.

39. If any property or loom is purchased by the borrower or released from mortgage with money advanced by the Society, the purchaser shall not sell, mortgage or transfer it until the debt to the Society has been paid, except with the consent of the Committee of Management, or in order to satisfy his debt to the Society.

40. Any sum outstanding against a member who dies, withdraws or is expelled, or otherwise ceases to be a member, shall be immediately payable, irrespective of any condition on which the loan was granted.

41. If the Committee of Management finds that the security for an outstanding loan has become insufficient, it shall call on the borrower to provide satisfactory security, and in default the loan shall become immediately payable, irrespective of any condition on which the loan was granted.

42. Notwithstanding anything contained above, the Society reserves to itself the right of calling in any outstanding loans on four weeks' notice, but this power shall not be exercised, save when there is a general run upon the Society by its creditors, or when the borrowers of the Society or their sureties are in such a position that the funds of the Society are endangered or in other exceptional circumstances.

Finished Products.—43. Members shall be at liberty to sell their finished cloth either to the Society or to outsiders. If sold to the Society, the price shall be fixed at such rates as may be determined by the *Panchayats* from time to time.

44. When the market is dull and proper sale price cannot be obtained, a member may deposit the finished product with the Society and the *Panchayats* may advance him an amount not exceeding 75 per cent. of the estimated value. Such temporary advances shall be repaid with interest as soon as the cloth is sold.

45. All advances granted to a member for the purpose of helping him in producing his cloth shall be repaid out of its sale proceeds.

46. The *panchayats* shall arrange to sell to the best advantage the finished products collected from members.

Miscellaneous.—47. With the previous approval of the general meeting and subject to the sanction of the Registrar, the Managing Committee may undertake the opening of a retail shop, the purchase and sale of fly-shuttle looms, or of any other weaving and dyeing material, the hiring out of such material, or any other branch of work which is likely to be useful or profitable to the weaving industry of the locality.

Deposits.—48. Subject to any rules made by the general meeting, the Committee shall decide the terms on which deposits shall be accepted and the rates of interest for the various kinds of deposits.

Disputes.—49. All disputes which the Committee of Management cannot decide shall be referred to the Registrar, who may either decide

the matter himself or appoint an arbitrator or arbitrators. The decision of the Registrar or arbitrators shall be final.

Books and Accounts.—50. All the account books and the by-laws and other records shall be open to the inspection of members while the Committee of Management is sitting.

Reserve Fund and Profits.—51. The Society shall maintain a Reserve Fund from the profits earned by it. Entrance fees, fines and all profits after deduction of working expenses and dividend payable according to these by-laws and of any expenditure which is a lawful charge on the Society shall be credited to this Fund.

52. The entire net profits of the Society, as declared by the Registrar yearly, shall be carried to the credit of the Reserve Fund for ten years.

53. In case the Society be dissolved, the balance of the Reserve Fund available after all liabilities have been met, shall be paid as a dividend upon the fully paid-up shares of such members as are still in the Society at the date of dissolution or, if no shares have yet been fully paid up, in such manner as the Registrar may approve.

54. Of the net profits declared by the Registrar as accruing during the eleventh and succeeding years, one-fourth shall go yearly to the Reserve Fund and out of the balance a dividend shall be paid on the fully-paid-up shares subject to such rules as the Local Government may frame.

55. The Reserve Fund, which is intended to be a source of strength to the Society, shall ordinarily be available for any of the following purposes :—

- (1) to cover any losses arising from unforeseen circumstances;
- (5) to meet any liability when the Society has not got a sufficient cash balance, such payments being reimbursed to the Fund as soon as collections are made;
- (3) to serve as security for any loans which the Society has to contract.

General.—56. Any of these by-laws may be altered or rescinded, or new by-laws may be made at a general meeting held in accordance with the rules made by Government in this behalf, and such amendment will come into force after it has been approved and registered by the Registrar.

57. The Society shall keep a copy of the Co-operative Societies Act, II of 1912, of the rules made by Government under the Act, and a

copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

58. All matters not specially provided for by these by-laws shall be decided according to the terms of the Co-operative Societies Act, II of 1912, and the rules framed under section 43 of that Act and if there be no provision in the Act or rules applicable to such matters then subject to the provision of the by-laws for the time being in force in such manner as the Registrar may determine.

The above are the by-laws referred to in our application for registration, dated

Signatures.

II. Co-operative Stores Societies.—

Use of Co-operative Stores.—In country bazars the rates charged by the shopkeepers are often found to be far in excess of any justified by market conditions. Instead of remaining content with a fair commission on their outlay, they frequently form rings in order to control the market, and fix the selling prices of their goods at a figure that secures them quite an exorbitant profit. The purchaser is helpless against them because there is usually no other bazar in the neighbourhood, and because he is often in debt to them and therefore not at liberty to deal with other merchants even when opportunity offers. The shopkeepers abuse their power not only by exacting high prices, but by adulterating their goods or by giving false weight or by selling old and rotten stock. These are the evils which co-operative stores are designed to meet. Their primary object is to sell to members goods in general use at the cheapest possible rate. Economy is effected by buying stock direct from wholesale dealers and by keeping down working expenses. Such stores should also of course refuse to countenance adulteration, insist

on fresh and sound stock, and make a point of giving purchasers good weight for their money.

How to start Co-operative Stores.—Stores cannot be managed without constant attention and some business experience. It is not recommended that they should be opened in any town unless the promoters are fairly well educated and include amongst their number some persons who have had experience of retail trade in one of its branches. If such men can be found, the first step would be to arrange an informal meeting and to consider how far the rates charged by the shopkeepers are excessive and what reduction could be expected from wholesale purchases. Having satisfied themselves on this point and having determined roughly on the class of articles in which dealings should be undertaken, the promoters' next step should be to consider how much capital would be required for the business and how much could be raised among themselves and their friends by the issue of shares. After canvassing for capital and supporters, they should arrange a second informal meeting to which the Honorary Organizer of the district might be invited and should then go through the model by-laws. They should fill up the blanks in the by-laws and correct the model in any other places where it requires alteration.

The Management of Co-operative Stores.—The success of the Stores will depend wholly on the Managing Committee and on the salesman appointed by them. The latter must be a man who can be trusted to work honestly without continual supervision. He should know how to store goods so as to avoid deterioration, to keep accounts, and to please customers. The Managing Committee should meet at least once a week. It should check the stock book, see that the quality of the wares is satisfactory and that the shop is kept clean and tidy, and most important of all, should pass the weekly indent for fresh stores which should be prepared and

put up by the salesman. It is only if the supply of stores is always of good quality, and cheap, and is never allowed to become exhausted that regular customers will be attracted. Where possible, stores may be bought locally ; if *ghee*, or grain is stocked and if any members are ready to supply it at a rate which the Society is willing to pay, they should be given preference to other sellers. Some sorts of goods can be obtained most cheaply from other co-operative societies. The Committee must be ready to pay for all stores purchased by it in cash. Otherwise the wholesale dealers will charge heavy interest, which will soon eat up profits. It must always be remembered that the stock in the shop represents locked up capital which is earning no interest. Every sale releases money and also realizes a profit. When an article sold has been in stock for a long time, the profit realized may be swallowed up in the interest due on the money invested in it, and the transaction may end in a net loss. The Committee should, therefore, always aim at a quick turnover and a moderate profit. It should be careful to deal only in articles for which there is a brisk demand. Special arrangements should be made for the early sale of perishable articles.

Accounts.—Experience has shown that co-operative stores societies usually keep defective accounts. They do not check their stock sufficiently frequently, with the result that they often find themselves overstocked in some lines and short in others. The cash accounts and the stock accounts are often not maintained in forms that check each other, and this leaves a loop-hole for dishonesty.

Every kind of article in the shop should have a separate column, and the register should, if necessary, run over several pages. The Managing Committee will frame its weekly indent for fresh stock entirely from this register and ought frequently to check the balance shown in the Register with the

stock actually found on hand. The incomings should be posted to correspond with the advice notes and bills of the supplying agents, and the outgoings should be extracted every evening from the Sales Register.

The Sales Register may be kept in the following simple form :—

Daily Sales Register.

Date.	Article sold.	Quantity.	Cash price paid.	Number of creditor's ledger account.
1	2	3	4	5

*Conditions of Success of Co-operative Stores** :—To ensure the success of co-operative stores three conditions must be fulfilled, viz.—

- (1) that all sales should be in cash, so that the store will be saved interest on capital and also the trouble of collections on account of credit sales;
- (2) that the articles stocked should be more or less of a standard pattern not subject to fluctuations in demand on account of changes in fashion;
- (3) that members should devote a certain portion of their time to the business and not depend entirely on paid labour.

In most parts of India co-operative distributive stores have not thrived well not only because of the non-fulfilment of one or more of the above conditions, but also because of the narrowness of the margin between the wholesale and the retail price of articles of town consumption. But in the

* [Vide Mr. A. C. Chatterji's article on "Co-operative Distribution in Northern India" in the *Indian Journal of Economics*, April, 1916].

United Provinces there are some flourishing co-operative stores run on sound lines ; thus there are the Lalimli stores for the operatives of the Cawnpore Woollen Mills, the Mirzapur Stores for the middle-class inhabitants of that town, and the Hindu Boarding House Stores at the Allahabad Macdonnell Hostel. In the new province of Bihar and Orissa there is the Ranchi Secretariat Store which has recently been started to afford relief to the Secretariat clerks from high prices, dealers' rings and uncertain supplies. The advantages of membership consist, so far as fresh food is concerned, chiefly in getting good quality and fair quantity at Ranchi prices, which were always lower than those of Doranda. The stores may, therefore, claim to have defeated the ring of local shop-keepers, while it supplies Calcutta articles, such as biscuits, tea, etc., more cheaply than they can be obtained even in Ranchi. In addition to this there is a prospect of the shareholders earning a fair dividend on their capital. There were 61 members on May 31st and the paid-up capital was Rs. 890. The rest of the working capital consists of loans from Government and the Ranchi Union and deposits by members, making in all about Rs. 3,000 ; while the profit works out at Rs. 237.

In Bombay the only Non-Agricultural Co-operative Store of any note is the Sahakari Vastra Bhandar at Poona which deals in cloth. The share capital Rs. 2198 is somewhat small in comparison with the turnover of about Rs. 30,000. The store deals with non-members as well as members ; but on less favourable terms. Cash payment, which is prescribed by the by-laws, is generally enforced in practice. A profit of Rs. 964 was earned during one year.

In Bengal "our experience in connection with the stores has not been very hopeful" (Bengal Report, 1914-15).

BY-LAWS OF THE CO-OPERATIVE STORE, LIMITED.*

Name, office and objects.—1. The society which is registered under the Co-operative Societies Act, II of 1912; shall be called Co-operative Store, Limited.

2. The registered office of the society shall for the present be at . In the event of any change in the situation of the registered office, notice thereof shall be sent to the Registrar of Co-operative Societies, Bengal.

3. The objects of the society are (1) to purchase the necessaries of life for retail to its members, (2) to carry on, in common, trade, both wholesale and retail, for the benefit of its members, (3) to encourage thrift, self-help and co-operation generally among the members.

Capital.—4. The nominal capital of the society shall be Rs. , which shall be divided into shares of the value of Rs. each to be subscribed by members only. The number of shares may at any time be increased by a resolution of the general meeting.

Borrowing power of the Society.—5. To carry on its work, the society may contract loans by way of deposits or otherwise, provided that the total amount of liabilities shall not exceed five times the value of the paid-up capital.

Membership—Election—Cessation.—6. Membership of the society shall be open to persons residing in , and the employees of , and the members of the society shall consist of those who have subscribed to the application for the registration, or who may hereafter be elected according to these by-laws.

7. Every member shall pay an entrance fee of and shall take at least one share in the society and shall sign his name in a register containing a list of names, descriptions and addresses of the members of the society in token of his acceptance of these by-laws. When a member has paid his entrance fee and the first instalment on his share he shall be deemed to have acquired all the rights, obligations and responsibilities of a member of the society as laid down in the by-laws.

8. Every person eligible under these by-laws who is desirous of becoming a member shall send in an application to the Secretary in a form to be prescribed by the Committee of Management, supported by two members of the society. Such applications shall be dealt with by the

Committee of Management. In the case of rejection, his supporters shall have a right of appeal to the general meeting.

9. Membership shall cease by—

- | | | |
|-----------------|---|-----------------|
| (a) withdrawal, | { | (c) bankruptcy, |
| (b) expulsion, | | (d) death. |

A member who permanently removes his residence from the area prescribed in by-law 4 shall ordinarily cease to be a member unless the Committee permit him to remain a member.

Subject to these by-laws, a member may, by giving 3 months' notice in writing, withdraw from the society.

10. The Committee may, after open investigation, fine, suspend or expel a member, (1) for any serious breach of the by-laws and the rules of the Society, (2) for being in default to the society after due notice has been given, and (3) for any conduct considered dishonourable by the Committee or which may weaken the financial credit of the society or bring it into disrepute. All cases of fines, suspension and expulsion shall be reported to the next general meeting for confirmation. During suspension a member shall not be allowed rebate on his purchases and dividend on his shares.

Rules regarding Shares.—11. No member shall be allowed to hold more than one-fifth of the subscribed share capital of the society, nor to hold more shares than represent a nominal value of Rs. 1,000.

12. Shares shall be paid up by instalments of not less than Re. 1 per share per month. If an instalment of any share is overdue for more than three months, the shares shall be forfeited and all previous payments made thereon shall become the property of the society. Such shares may be renewed if the sum due is paid within one calendar month from the notice of forfeiture, including interest at per cent.

13. Any sum due to a member on account of dividend and rebate on purchases shall not be paid to him, but shall be credited to his account until he holds one fully paid-up share. When he holds one fully paid-up share, half the dividend and rebate due to him shall similarly be credited to his share account until the full value of three shares stands at his credit. Thereafter he shall be entitled to draw full dividend and rebate money.

14. In the case of the death of a member his shares may be transferred to the person nominated in accordance with the Co-operative Act, or if there is no nominee to such person as may appear to the Committee to be the heir or legal representative of the deceased member, provided that such nominee or legal representative, as the case may be, is eligible for

membership or on his application within one month of the death of the deceased member to any person specified in the application who is so eligible, otherwise the amount actually paid by the deceased member on the shares, shall, after deduction of his dues to the society, be paid to the nominee, heir or legal representative, as the case may be, within three months from the date of the death of the member and the society shall thereupon be absolved of all liability in respect of such money.

15. A member on giving three months' notice in writing to the Committee may withdraw the whole or any portion of his share capital. He shall be entitled, on the expiry of his notice, to receive his share money after deduction of any sums due from him to the society. This rule is subject to the following provisos—

- (a) not more than one-tenth of the subscribed share capital as it stands on 31st December of any year shall be withdrawable during the subsequent year;
- (b) the Committee of Management may at any time by resolution suspend the right of withdrawal for the period mentioned therein; but such resolution shall be subject to confirmation at the next general meeting;
- (c) no dividend shall be paid for shares withdrawn before formal declaration of dividends at the end of the half-year.

16. If a member ceases to be a member on account of permanent removal of residence within the prescribed area, expulsion or bankruptcy, the net value of shares held by him after deduction of his dues to the society shall be paid to him within three months from the date of the cessation of membership.

17. Should the Committee have more share capital on hand than they can profitably invest, they may reduce the number of shares held by members, the largest holdings being first reduced.

- Liability.**—18. (a) The liability of the members for the debts of the society shall be limited to the nominal value of the shares held by them.
- (b) The liability of a past member for the debts of the society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.
- (c) The estate of a deceased member shall be liable for a period of one year from the time of his decease for the debts of the society, as they existed at the time of his decease.

Representation.—19. All documents creating a charge or obligation on the society shall be signed by the Chairman and Secretary or by three

members of the Committee of Management, including either the Chairman or the Secretary, provided that in the case of receipts and cheques up to Rs. , and receipts for deposits the Chairman or the Secretary or any office-bearer duly authorised by the Committee may sign.

General Meeting.—20. The supreme authority of the society shall be vested in the general meeting of all members. General meeting shall be of two kinds—ordinary and extraordinary. Ordinary general meetings shall be held as soon as the accounts of the society are closed. Extraordinary general meetings may be called at any time by the Board of Directors and shall be called, if one-tenth of the members demand it.

21. The general meeting shall be held at a time and place which shall be duly notified at least 14 days before the date fixed. Each shareholder shall have one vote irrespective of the number of shares held. Voting by proxy shall not be allowed except in the case of *purdanashin* ladies. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail. One-fifth of the total number of share-holders of the society shall constitute a quorum. If at the hour fixed for an ordinary or extraordinary meeting a quorum is not forthcoming, the Chairman shall, if the meeting has been called on the requisition of members, dissolve it ; if otherwise convened, he shall postpone the meeting to a date at least seven days and not more than two weeks later, and the business to be transacted at the postponed meeting shall be the same and no other than that proposed for the original date of meeting. At such postponed meetings, if a quorum is still not forthcoming, resolutions may be carried by a majority of three-fourths of the members present.

22. The functions of an ordinary general meeting shall be—

- (a) to receive from the Committee or any officer of the society the half-yearly report on the business of the society ;
- (b) to pass the half-yearly balance sheets ;
- (c) to review the work of its officers and hear and decide all complaints against them ;
- (d) to determine the rate of dividend on share capital and the rate of rebate on purchase. The general meeting may reduce, but shall not enhance the rates proposed by the Committee ;
- (e) to decide the amount of liability in the matter of deposits and loans which the Committee may incur during the coming half-year and to fix the rates of interests thereon ;
- (f) to decide as to all the changes in the by-laws and rules ;

(g) to elect the Committee and its Chairman and other officers of the society, excepting those whose appointment is given by rules to the Committee ;

(h) to transact any other general business of the society.

Board of Directors.—23. Subject to the control of the general meeting, the entire management of the affairs shall vest in the Committee of Management, which shall consist of not less than five members including the Chairman. The Chairman who, except in the case of the first holder of the office, must have served the Committee for 12 months previously, shall be elected at the general meeting.

21. The Committee of Management shall have power to fill all vacancies occurring in the Committee between general meetings and to elect one of their body as Secretary and to appoint such salaried and non-salaried officers as may be thought necessary and from time to time to define the respective duties of such office-bearers and to fix the wages of paid officers.

25. The duties of the Committee of Management shall be as follow—

(a) to meet as often as may be required ;

(b) to inspect and direct the business of the society and in all things to act for the society ;

(c) to determine what goods shall be ordered and the prices to be paid and charged for the same, to examine the invoices of goods, pay accounts and review all other transactions concerning the interests of the society ;

(d) to see that the salesmen and other servants of the society perform their duties properly, and that the shop, stocks and properties are well kept and in good order ;

(e) to take stock at least once in every half-year ;

(f) to lay a statement of accounts before every half-yearly general meeting ;

(g) to send to the Registrar an annual return in the form prescribed by that officer ;

(h) to keep a copy of the last return and balance sheet of the society, together with the auditor's report hung up in a conspicuous place at the registered office of the society.

26. The general meeting may assign to the office-bearers such remuneration as it thinks proper.

27. A member of Committee shall vacate his office if he holds any other office or place of profit under the society or if he becomes bank-

rupt or insolvent or concerned in the profit of any contract with the society.

28. The Chairman shall preside at all meetings of the society. In his absence the members present shall elect another member to preside. The Chairman or the President acting in his absence shall sign the minutes of the proceedings. He shall have a casting vote besides his own vote as a member.

29. The Committee shall from time to time make special arrangements regarding the verification of goods received with invoices.

Conduct of Business.—30. All goods shall be sold at reasonable market prices.

31. Dealings shall be for cash. All goods sold shall be paid on delivery, or if the Committee so directs, on order.

In exceptional circumstances a member may be allowed credit in goods up to two-thirds of the paid-up value of shares. But such dues must be paid at least a fortnight before the accounts of the society are closed, or within two months from the date the goods are delivered, whichever is earlier.

32. The general meeting may from time to time open branches at suitable centres and may fix the area within which each branch shall ordinarily operate and the general meeting shall appoint local directors to carry on the business of such branches on behalf of the society. Every local Board of Directors shall, subject to the control of the Board of Directors, exercise the same powers with regard to the work of the branch it represents as the Board of Directors. All documents executed by the local Directors with regard to the work of the branch society in the manner laid down in the by-laws shall be binding on the society.

33. Complaints regarding the quality, quantity or price of any goods or the conduct of any officers or servants of the society shall be made to the Committee who shall inquire into and decide upon them, subject to an appeal from such decision to an ordinary general meeting.

34. The Board of Directors may frame rules subject to the direction of the general meeting regarding the terms and conditions on which deposits shall be accepted and withdrawn and regarding the rates of interest for various kinds of deposits and the Board may make additions to or alterations in, these rules from time to time.

Profits.—35. The accounts of the society shall be closed half-yearly. When the accounts of the society are closed, 25 per cent. of the net profits

after allowing for depreciation at the rate of 10 per cent on fixtures and 2 per cent on shops and other buildings, shall be placed to Reserve Fund. The balance may be applied as follows.—

- (a) Dividend may be paid at a rate which shall not exceed 9 $\frac{3}{4}$ per cent. on the amount actually paid on shares.
- (b) A rebate to the members of the society in proportion to the amount of the purchases during the period to which the profits relate may be allowed, but no member shall be allowed rebate who has purchased less than Rs. 25 worth of goods.
- (c) A non-member who has purchased more than Rs. 25 worth of goods may be allowed rebate at half the rate granted to members.
- (d) A bonus to employees may be paid and, subject to the provisions of section 34 of the Act, the society may make contributions to any charitable purposes.

36. Dividends not withdrawn within one calendar month after they become receivable shall be credited to the member's account as payments towards fresh shares, or, if he already holds the maximum allowable by the rules, as deposits.

Reserve Fund. 37. The reserve fund shall consist of—

- (a) twenty-five per cent. of the profits annually placed to the fund in accordance with rule ;
- (b) any sums allotted to it out of the profits or otherwise ;
- (c) entrance fees after deduction of the preliminary expenses incurred in constituting the society ;
- (d) the value of all shares forfeited to the society and lapsed dividends.

38. The reserve fund shall belong to the society and be indivisible amongst the members. It shall ordinarily be invested in Government securities, Post Office Savings Bank or in any co-operative institution approved by the Registrar, or in any other manner laid down in section 32 of the Co-operative Societies Act.

39. The reserve fund shall be available for any of the following purposes—

- (1) to cover any losses arising from any unforeseen circumstances, such drawings upon it being reimbursed to the fund from the next accruing profits ;

- (2) to meet any call on the society which cannot be met otherwise, such payments being reimbursed to the fund when fresh collections are made;
- (2) to serve as security for any loans which the society has to contract.

In the case of dissolution of the society the reserve fund shall be applied to such purposes as may be determined with the approval of the Registrar by the majority of the members.

Miscellaneous.—40. Every share-holder shall be supplied with a copy of the by-laws.

Dissolution.—41. The society shall be wound up with the approval of the Registrar if three-fourths of the members present at general meeting specially summoned to consider the question vote for it.

Disputes.—42. Any disputes which cannot be decided by the general meeting or by arbitration shall be referred to the Registrar whose decision shall be final.

43. Any of these by-laws may be altered or rescinded or new by-laws may be made at a general meeting held in accordance with the rules made by Government in this behalf and such amendment will come into force after it has been approved and registered by the Registrar.

44. The society shall keep a copy of the Co-operative Societies Act, II of 1912, of the rules made by Government under the Act and a copy of these by-laws open to inspection free of charge at all reasonable times at its registered office.

45. All matters not specially provided for shall be decided according to the terms of the Co-operative Societies Act, II of 1912, and the rules framed under section 43 of that Act.

The above are the by-laws referred to in our application for registration dated

Signature of applicants.

III. Co-operative Housing Societies.—

The fact cannot be disputed that in the cities of Calcutta and Bombay and most other large towns, house-rents show a tendency continually to rise, and that this rise, coupled with the recent sharp rise in the price of all the necessities of life, is pressing very hard on the middle and lower classes.

Co-operative housing schemes—which are still unfamiliar to us, but which have conferred untold benefits on the English middle classes—can afford considerable relief to the hard-pressed middle classes.

There are four kinds of societies which might possibly be started on co-operative lines for housing purposes.—

Firstly, those of the type of Land Societies of England formed by persons individually capable of paying the cost of the whole building, but joining together collectively to purchase or take on lease a sufficiently large plot of ground to be parcelled out among them for erecting their houses upon.

Secondly, those of the type of Mutual Benefit Building Societies formed by persons, each wishing to own an independent house but not able to pay the cost thereof at once and therefore taking a loan from the society on the security of the house and repaying it by instalments with interest.

Thirdly, those of the type of Tenant Copartnership Societies formed by persons not in a position to own the houses independently and therefore joining together to own them in common, each tenant advancing a part of the cost of the house he resides in, the remainder being raised by the society as loans or debentures.

Fourthly, societies of persons who are not able to contribute anything to the cost of the building but joining together to hire collectively houses for their residence on easy terms.

These four types are intended for different grades of people, the last type being for the poorest, and so on upwards. Of these four types of societies, the first and second exist in Europe and America and the third has not spread far beyond England : the society described in detail in the following pages belongs to this third type. The fourth type has not yet been tried anywhere on co-operative lines ; poor but intelligent tenants can be brought together to form

societies of this type without much extraneous aid, and ample material of this kind will be found in Calcutta and Bombay for successful experiment in this line.

The third type of societies *viz.*, Tenants' Copartnership Housing Societies has proved a great success in various parts of England such as Ealing, Hampstead and other places. In Calcutta and other thickly populated cities such societies can be started in any number and they, in turn, can join together to form a federation whereby they can purchase building materials at wholesale rates, minimise working expenses and provide common recreation grounds and other amenities of life. Tenant Co-partnership is intended to meet the needs of those persons who are not in a position to purchase or own an independent house. The members join together to own a house or houses in common, each tenant advancing in the form of share money a part of the cost of the house in which he resides, the balance necessary being raised by the society in the form of loans or debentures. The houses built by the society are owned jointly by all the members, not individually by any of them, and are therefore kept up well. The landlord's profit is abolished and rent is fixed on the lowest possible scale, and not liable to be raised by competition. Although a member is part owner of the house in which he lives, he is not tied down to remain in it, and may on his departure realise the amount invested by him in the building from the incoming tenant or from the Society. His shares may be transferred by sale to other members as provided in the rules, and his loan stock may be sold to outsiders.

The inception of a housing society requires much forethought and deliberation. If one or two members of a community conceive the idea of forming a housing society, their first step must be to find associates in their plan, and to get them to support it in earnest. It is of the first

importance that the members of a society should be bound to each other by common interests and pursuits, and therefore they should, as a rule, belong to a single community, caste, class or profession, and should be of about the same social standing. Those classes which are suffering most from high rents or congested quarters, or amongst which the spread of modern education has roused a keen desire for better conditions of life, are most likely to throw themselves zealously into such a scheme.

In selecting a site for the society's building which will, as a rule, be in the suburbs where more open spaces are available, the committee should attend, firstly, to the scale of ground rents prevailing in the neighbourhood, and secondly, to its facilities of access. The locality should be well served by trains or trams and cheap fares should be available so that the extra cost of transit to their place of work should not more than counterbalance the saving effected by members in their rent. Thirdly, the proximity of a suitable market should be noted. Fourthly, educational facilities should be available for the children of residents. Fifthly, the site should be as healthy and open as possible, while the distance of dispensaries, parks, libraries, public gardens etc. deserves attention. Sixthly, if a considerable area is taken up by the society, the possibility of getting the Municipality to open up the site with new roads and a good lighting system should be considered.

Bombay, which has taken the lead in promoting important developments in co-operation, started in March, 1914, the Co-operative Housing Association with the following objects :—(a) to collect information about co-operative housing and to promote its application in practice; (b) to engage in propaganda work by distributing leaflets, by publishing cheap literature on the subject and by lectures, conferences, etc.; (c) to move Government and other public bodies to

agree to give to the housing societies that may be established in Bombay on approved principles such facilities as are given in other parts of the world and such additional facilities as may be considered necessary, having regard to local conditions peculiar to the city ; (d) to draw up schemes for establishing co-operative housing societies in Bombay and to start, or assist others in starting, such societies under the auspices of the Association ; (e) to give advice and render help to any other societies that may be formed independently of the Association.

The Association has been able to do very useful work during the short period of its existence. Already the Local Government have recognised the Association as an institution of public utility, and it has been affiliated to the Garden Cities and Town-Planning Association, a central institution started in England in 1899 having for its aims "the permanent solution of the increasingly difficult housing problem."

The Association has been instrumental in helping into existence the Saraswat Co-operative Housing Society which, with an original capital of Rs. 72,000, has already provided accommodation for 18 families, each in a separate four-room tenement, for an average rental of Rs. 32 $\frac{1}{2}$ per month. It is now providing accommodation for 24 more families each in a separate three-room tenement, with an additional capital outlay of Rs. 72,000.

Rao Bahadur Talmaki—who is the soul of the Co-operative Housing Movement in Bombay—thus summarises the advantages of investment in Tenant Co-partnership Societies—

1. That demand for housing accommodation in large cities has been growing is a sufficient indication that the investments in the Society will continuously appreciate in value.

2. That the houses are being built by members for their own residence is an assurance that none but sound materials will be used in their construction,

3. That the houses will be owned by the Society is a guarantee that the title to them will be above all doubt.
4. That the houses of the Society are being built in healthy localities is a safeguard against depreciation of property from insanitary surroundings.
5. That tenants are substantial investors in the Society ensures that they will take the best care of the houses and that there will be no default in rents.
6. The provision for Repair Fund is an additional guarantee that the houses will be kept always up-to-date.
7. The provision for Sinking Fund for replacing the houses in due course is a sufficient assurance that the investments in the Society will remain safe for any length of time.
8. The absence of all speculation in the Society's business is a further guarantee of the soundness of the investment.
9. The regular publication of the Society's accounts and their audit by a Government Auditor will be a source of confidence to the investor.
10. And, above all, that his money is being used for the betterment of his fellows and that he is helping in the solution of a great problem will be a source of genuine satisfaction to every investor.

Sometime ago the Government of Bombay submitted to the Government of India the following proposal about the feasibility of granting state loans to building societies :—

“That when funds are available, loans should be advanced by Government on the recommendation of the Registrar of Co-operative Societies, to building societies registered under the Co-operative Societies Act, 1912, for the purposes of erecting houses, subject to the same condition as in the case of Municipalities regarding the adoption of a prescribed standard of sanitation in construction, and subject in the case of societies with a liability to certain further conditions.”

The Government of India have, however, vetoed the above proposal. "They find themselves unable to agree to building societies of the kind referred to being assisted in the manner proposed. They are of opinion that such societies should preferably receive loans from Central Banks or other similar institutions which have been established for the purpose of financing Co-operative Societies."

BY-LAWS OF THE CO-PARTNERSHIP BUILDING SOCIETY, LIMITED.*

I.—Preliminary.—1. Name and address of the Society shall be the—Co-partnership Building Society, Limited.

2. The objects of the Society shall be to carry on the trade of building, and of buying, selling, hiring, letting and developing land for building and to establish and carry on social, recreative and educational work in connection with its tenants.

II.—Funds.—3. (i) Funds may be raised in any or all of the following ways, *viz.* :—

- (a) by entrance fees,
- (b) by shares or debentures,
- (c) by raising loans, and issuing loan-stock,
- (d) by deposits,
- (e) by donation,

(ii) provided that the total amount under (b) and (c) at any one time shall not exceed *1 lakh* of rupees without the special sanction of a General Meeting of the Society, and that the total amount obtained under (c) and (d) shall not exceed *eight* times the paid up share capital plus the reserve at any one time.

Deposits—4. Subject to restrictions to be laid down by a General Meeting, the Committee may receive deposits under by-law 3 (i) (d) at interest which may not exceed per cent. per annum without the sanction of such meeting.

5. Funds may be invested with any outside Society or Bank approved by the Registrar.

* [Issued from the Office of the Registrar of Co-operative Societies, Bombay.]

III.—Membership.—6. All persons who have signed the application for registration are original members. Other members shall be elected by the vote of the Committee of the Society provided that all members shall belong to the caste, race or profession or shall be the residents in . Two adverse votes are sufficient to exclude an applicant.

7. Every person shall pay Ré. 1 on applying for admission, for which he shall receive a copy of the rules. In cases where the application is refused, the entrance fee shall be returned.

8. Every application for admission must be made in writing and signed by the applicant and shall be considered by the Committee at its first meeting after the application is received, or so soon thereafter as is practicable.

9. Every member must hold at least one share in the society.

10. A person all of whose shares have been transferred under the by-laws shall cease to be a member.

11. (i) A member may be expelled from the society by the vote of not less than two-thirds of the members present at a General Meeting of the society for any of the following reasons :—(a) if he is a persistent defaulter, (b) if he wilfully deceives the society by false statements, (c) if he is bankrupt or legally disabled, (d) if he is criminally convicted, (e) if he intentionally does any act likely to injure the credit of the society, (f) if he gravely misuses the dwelling rented by him from the society, or habitually acts in it in a disgraceful manner or a manner which causes serious offence to his neighbours.

(ii) The Committee shall give a member 15 days' written notice of the proposal to expel him.

(iii) To a member so expelled shall be refunded the amount received by the society in respect of the shares held by him at the date of the resolution for his expulsion.

(iv) *Re-admission of Expelled Members.*—No expelled member shall be re-admitted except by a vote of two-thirds of the members present at an ordinary General Meeting, on a motion of which notice has been given.

12. The liability of a member is limited to the nominal value of the shares held by him.

13. *Transmission of interest.*—(i) *How Nomination is to be made.*—A member may, by a writing under his hand deposited with the society during his life-time, or by a statement made in any book kept thereat, nominate any person or persons other than an officer or servant of the

society (unless such officer or servant is the husband, wife, father, mother, child, brother, sister, nephew or niece of the nominator) to or among whom his share or interest in the society, or so much thereof as is specified in such nomination, shall be transferred at his decease.

(ii) *How it is to be revoked or varied.*—A nomination so made may be revoked or varied by any similar document under the hand of the nominator, deposited or made as aforesaid.

(iii) *Fees on Nomination or Revocation.*—A nomination made at the time of applying for membership shall be recorded free of charge. But for the recording of every nomination subsequently made or of a revocation or variation a fee of annas four shall be paid.

14. *Proceedings on Death of a Member.*—

(i) *If Nomination is made.*—On receiving satisfactory proof of the death of a nominator, the Committee shall either, subject to by-laws 18 and 19, transfer the property comprised in the nomination in the manner directed by it, or pay to every person entitled thereunder the full value of the property given to him, after deducting all sums due to the society from the deceased member.

(ii) *If no Nomination is made.*—If any member entitled to any share or interest in the society dies intestate, without having made any nomination the Committee may, without Letters of Administration, distribute the same among such persons as appear to them, on such evidence as they may deem satisfactory, to be entitled by law to receive the same and may, if they think necessary, take an indemnity bond.

15. *Disputes.—How to be determined.*—All disputes arising between a member, or any person who has ceased to be a member, or any person claiming through a member, or through a person who has ceased to be a member, and the society or any officer thereof, shall be dealt with as may be provided by the rules under the Act.

IV.—Shares—16. The share capital of the Society shall be raised by shares of the nominal value of Rs. 50 each, and shall be held entirely by members of the society.

17. (i) The full amount of all shares shall be payable on allotment, or by such instalments as may be fixed by the Committee.

(ii) *Failure to pay Calls:*—If a member fails to pay the amount of any call on a share within 30 days of notice thereof, the Committee may forfeit the share. A forfeited share becomes the property of the society.

18. *Limit to members' shareholding.*—No member shall have or claim any interest exceeding Rs. 1,000 in the shares of the society.

19. (i) Any share held by a member of the society may, subject to by-law 18; be sold to any other member, provided that no such sale may take place without the previous sanction of the Committee, who shall have full discretion in granting or withholding such sanction.

(ii) *Registration of Transfers.*—Until the transfer of a share is registered, no right shall be acquired against the society by the transferee, nor shall any claim of the society upon the transferor be affected.

20. When a shareholder ceases to be a tenant, the Committee shall have the right at any time to pay off at par such number of shares as he may hold in excess of one share, provided that he may be given the option of selling the shares under by-law 19.

21. If a member who has received notice that the Committee are prepared to pay off his shares under by-law 20 on a certain date leaves the sum to be thus repaid in the hands of the society, he shall not be entitled to any interest thereon after the expiration of the time named in the notice of repayment.

22. The Committee shall keep a share register in which there shall be entered the name, occupation and address of the member to whom each share was originally allotted, and of each successive holder of the share with the dates of sanction of transfer under by-law 19, and when the share is cancelled, the date of such cancelling.

23. Upon each transfer of any share there shall be paid to the society such fee not exceeding Re. 1 as the Committee may fix.

24. The society shall have a first lien on shares for any debt due to it by the holder and may set off any sum credited thereon in or towards the payment of such debt.

25. The amount expended in the repayment of any shares shall not exceed the sum placed at the disposal of the Committee for that purpose from time to time by General Meetings of the Society, and shall be regularly stated in the accounts of the society.

Loan money shall not be used for repayment of shares.

V.—**Loan Stock.**—26. Loan stock under by-law 3 (c) may be issued by the Committee to members and other persons subject to the following conditions, *vis.*—

(a) The stock shall be payable by instalments or otherwise as may be fixed from time to time, prior to the issue thereof, by the Committee.

- (b) It shall carry interest (payable quarterly) at such rate not exceeding 6 per cent. per annum as may be fixed from time to time, prior to the issue thereof, by the Committee.
- (c) It shall not confer a right to demand payment of the principal from the Society unless the interest aforesaid is in arrear for two consecutive years, or in the event of the liquidation of the Society.
- (d) It shall be secured by certificates of indebtedness, under the hands of two members of the Committee and the Secretary stating the amount of loan stock standing to the credit of the respective holders.
- (e) The Committee shall keep a register of the holders of loan stock for the time being.
- (f) Any bond of the Society may be made a specific charge upon any lands of the Society specified therein or in any schedule annexed thereto.
- (g) Any such bond may be issued, or note given, or agreement or mortgage made as a continuing security to cover any sum, not exceeding the limits aforesaid, due or to become due upon the account of the Society to any person with whom it may transact banking business.

VI.—General Meetings. 27. The first meeting of members shall have the same powers as are herein given to the Annual General Meeting.

28. The Annual General Meeting shall be called in the month of April. Its duties are :—

- (1) to frame By-laws for the Society or to add to them or to alter them,
- (2) to elect a Committee, and to appoint a Secretary and any other officer required for the ensuing year and to fix their remuneration,
- (3) to receive from the Committee a report on the preceding year's working of the Society together with statements showing the receipts and expenditure, assets and liabilities, and profit and loss for the year,
- (4) to consider the audit memorandum and any other communication from the Registrar,
- (5) to perform such duties laid upon the Society in these rules as may from time to time arise,
- (6) to consider any other business laid before it by the Committee or brought up after due notice by any member,

29. Questions shall ordinarily be decided by simple majority of those present, the voting being by a show of hands. But on the demand, made either before or immediately after a show of hands, of a member or members holding altogether at least one-tenth of the share capital for the time being, each member shall be entitled to one vote for each share held by him, and the voting shall then not be by a simple majority of those present. The President shall have a casting vote in addition to his ordinary vote.

30. No by-law may be made, altered or abrogated unless—

- (1) a proposal to do so has been communicated to all members ten days beforehand :
- (2) the resolution is passed by not less than two-thirds of the members present at the General Meeting and by votes representing not less than two-thirds of the shares held by members present,
- (3) the making, alteration or abrogation is approved and registered by the Registrar.

31. The proceedings of General Meetings shall be recorded in a Minute Book.

32. A Special General Meeting of members may be called at any time by a majority of the Committee or on receipt of a requisition from one-fifth of the members or from the Registrar.

33. In the case of the Annual General Meeting ten day's notice, and in the case of a Special General Meeting five days' notice, shall be given by the publication of a written notice outside the office of the Society and in any other conspicuous place that may be convenient. The notice shall specify the day, hour, and place fixed for holding the meeting and shall state the nature of the business to be transacted at the meeting.

34. With the permission of two-thirds of those present at a General Meeting any member may bring forward a proposal regarding any matter not specified in the notice of the meeting provided that he may not so propose the expulsion of another member or alteration in the by-laws.

35. Three-fifths of the total number of members, or twenty members, whichever be less, shall form a quorum at any General Meeting.

36. If on the day of the meeting there is no quorum or if all business is not completed the consideration of the remainder of the business may be abandoned or adjourned to another day. If on the day to which the meeting is adjourned no quorum is obtained, the business shall be disposed of without a quorum.

37. At all General Meetings the President shall be elected by the members present.

VII.—The Committee. 38. A Committee consisting of five members shall be appointed to manage the affairs of the Society. This Committee may exercise all the powers of the Society, subject to the provisions of these by-laws and to directions for its guidance conveyed in resolutions passed at General Meetings of the Society. The Committee shall meet as often as it considers necessary for the transaction of business but not less than once a month. Three members shall form a quorum.

39. Subject to the control of the Society, the business of the Committee shall be as follows ;—

- (1) to dispose of applications for membership,
- (2) to check the accounts of the Secretary,
- (3) to examine the registers and account books and to take steps for the recovery of sums due to the Society,
- (4) to sanction working expenses, count the cash balance, and deal with other miscellaneous business,
- (5) to see that the cash book is written up promptly and is signed daily by one of the members of the Committee,
- (6) to decide on what terms loans and deposits may from time to time be accepted from the public,
- (7) to appoint a Treasurer and Secretary and clerks, to fine, suspend, or dismiss them, and to fix their pay,
- (8) to hear and deal with complaints,
- (9) from time to time, to engage, remove or discharge all managers, builders or employees of any description required to conduct any such business, and fix the duties, salaries or other remuneration of such persons, at such rates and require them to give such security as the Committee approve and determine,
- (10) to deposit the funds of the Society in any bank or banks approved by the Registrar and to authorise, by a written resolution, members of their body not exceeding two to operate the accounts, either jointly or severally, as may be laid down in the resolution,
- (11) to mortgage the property of the Society as security for loans,
- (12) to institute, prosecute, compromise or refer to arbitration any suit, debt, liability or claim against, by, to or on the Society, provided the sanction of the general body is taken with regard to any claim above Rs. 1,000,
- (13) and in any case for which the by-laws of the Society do not expressly provide, to exercise any power which could be exercised by the

Society in General Meeting, other than such as by the law for the time being may be required to be exercised by such meetings, and so that in the exercise of any such power they do nothing inconsistent with the standing orders of such meetings.

40. And all acts or orders done or given by the Committee or by any persons acting as a member of the Committee in the name and on behalf of the Society under any power hereby given them or him, shall bind the Society and every member thereof, as fully as if they had been acts or orders of a majority of the members of the Society at a General Meeting thereof acting in exercise of the power given them by the by-laws, notwithstanding that it is afterwards discovered that there was some defect in the appointment of such Committee or person.

41. The Committee, which shall be elected by the Annual General Meeting, shall hold office for one year. Vacancies occurring in the course of the year shall be filled by co-option. No member shall sit on the Committee who holds less than five shares.

42. Any member of the Committee may be removed during his term of office by a Special General Meeting called for the purpose.

43. The Committee shall decide questions by a simple majority of those present.

44. The Committee shall elect its own Chairman for the year. When present he shall preside at all Committee Meetings. When he is absent the members present shall elect a Chairman from among themselves. The Chairman is entitled to give a casting vote in addition to his ordinary votes.

45. The Committee shall keep a Minute Book which shall show the names of the members present at each Committee Meeting and the number of members voting for and against each resolution. The minutes shall be signed by the Chairman and the Secretary.

46. The Committee may suspend any officers appointed under by-law 28 (2), recommend their dismissal to the General Meeting, and appoint acting substitutes pending the final decision.

VIII.—Secretary. 47.—The Committee shall appoint a Secretary with the following duties :—

(1) He shall summon and attend all meetings of the Society and of the Committee, and of any sub-committee if so required by the Committee and shall record the proceedings thereof in the Minute Books under the signature of himself and the Chairman of the Meeting and in such manner as the Committee directs.

- (2) He shall make such statements relating to the business of the Society as the Committee require, and shall prepare and send all returns required to be made to the Registrar.
- (3) He shall have charge of the documents and other papers of the Society, and shall keep the accounts in such manner as the Committee directs.
- (4) He shall keep the registers of members, shares, debentures and loan stock and all the books relating to loans or deposits required to be kept under the rules of the Society, and shall receive all contributions, fines and other payments due from the members to the Society and make disbursements under orders of the Committee and keep the accounts thereof.
- (5) He shall carry on the correspondence of the Society.
- (6) He shall in all things act in the discharge of his duties under the direction and control of the Committee.

48. In the absence of the Secretary, the Committee may authorise any other person to perform his duties.

49. All documents or receipts signed on behalf of the Society shall be signed by the Secretary and one member of the Managing Committee.

50. The Secretary may be removed from office by a Special General Meeting called for the purpose.

51. *Security from Officers.*—Every person holding any office touching receipt or charge of any moneys of the Society shall, before entering on the execution of his office, furnish such security as the Committee require and approve for rendering a full and true account of all moneys received or paid by him on account of the Society.

IX.—Tenants.—52. No member shall be a tenant of the Society unless he holds at least five shares.

53. The Society's dwellings shall be offered to members in the order in which they became members of the Society, provided that no member may occupy more than one dwelling.

54. No dwelling offered on lease shall be taken by persons who are not members of the Society unless no member is willing to take it.

55. All rents shall be due on the first of the following month.

56. The dwellings owned by the Society shall, at such times as the Committee may determine, be valued. The value of each dwelling shall be placed against the name of the tenant who occupies it in a book to be kept for the purpose. The tenant shall be charged a fair and usual rent for his occupancy of the dwelling.

57. The Committee shall have the right to determine the terms of tenancy and to prohibit any tenant from sub-letting.

58. All external repairs shall be a charge on the revenue of the Society, but internal repairs must be done by and at the expense of the tenants to the satisfaction of the Committee, except in such cases as it may determine otherwise. When such repairs, &c., have in the opinion of the Committee, become essential, they may order them to be done, and if not paid for by the tenant, may charge the cost of same against his repairs fund or his share capital, loan stock or deposit account. In case of a tenant leaving, the same rule shall apply.

X.—Profits.—59. After providing for the interest upon any loan and deposits and for placing to the credit of a sinking fund a sum representing $\frac{1}{2}\%$ per annum on the total cost of the Society's buildings, 25 per cent. of the net profits of all business carried on by or on account of the Society shall be placed to the credit of a reserve fund.

60. The remaining 75 per cent. shall, after leaving a sufficient margin for working expenses, be employed as follows in order, *viz.* :—

- (1) a dividend may be paid upon share capital, on such days as the Committee may direct at a rate not exceeding 5 per cent. per annum,
- (2) money may be paid into a common fund for social, recreative, and educational purposes,
- (3) an amount not exceeding the amount paid during the year into the common fund may be allotted to the tenants who are members of the Society in proportion to the amount of rent paid by them respectively during the year.

61. *Dividend on Shares transferred*—Dividends on shares shall be paid to the registered holder of such shares according to the books of the Society on the last day of the year.

62. No interest or dividend shall be paid to any member who has defaulted for more than a month in payments to the Society.

63. *Indivisibility of the Reserve.*—The Reserve Fund of the Society shall be indivisible, so that in the event of dissolution of the Society no member shall have any claim over it, but the fund, after meeting any charges that may then be certified by the Registrar to exist against it, shall be devoted to such object of general utility as may be determined by a General Meeting convened for that purpose and as may be approved by the Registrar.

XI.—Accounts.—64. Every balance sheet of the Society shall be accompanied by a complete list of members showing the share capital

held by each. There shall also accompany the balance sheet a similar list of loan stock holders. The balance sheet shall state up to what date dividend and interest are included.

65. A banking account shall be opened by the Society into which all moneys received on behalf of the Society shall be paid, provided that the Secretary may retain in his personal custody a sum not exceeding Rs. 50 for petty expenses. All payments above Rs. 20 shall be made by cheque signed by the Secretary and two members of the Committee.

66. Each member shall have a pass book in which the Secretary shall enter amounts paid to or received from such member.

67. *Appointment of Auditor.*—In addition to the Government audit, the Society shall appoint at its General Meeting an auditor who shall audit the accounts of the Society to be prepared by the Committee as hereinbefore provided, and shall examine the annual returns, and verify the same, with the accounts relating thereto, and shall either sign the same as found by him to be correct, duly vouched, and in accordance with law, or specially report to the Society in what respects he finds it incorrect, unvouched, or not in accordance with law.

68. *Powers of the Auditor.*—The auditor shall be entitled to call for and examine any paper or document belonging to the Society and shall make a special report to the Society upon any matter connected with the accounts which appears to him to require notice.

69. *Publication of Accounts and Report.*—A copy of the last balance sheet of the Society and of the report of the Auditor, if any, shall be kept always hung up in a conspicuous place in the registered office of the Society.

XII.—General.—70 Interest due on Arrears.—A member in arrear after thirty days from the date of notice shall pay interest at two pies per rupee per month on the amount outstanding.

71. *Sufficient Notice.*—Every member shall be taken to have due notice of every meeting, resolution, or other matter, of which notice is required by the by-laws or rules of the Society to be given, if the same is made known by posting or sending a notice to the registered address of such member.

72. *Individual Right of Inspection.*—A member shall be allowed to inspect his own account at all reasonable hours at the registered office of the Society, or at any place where the same is kept subject to such regulations as to the time and manner of such inspection as may be made from time to time by the Committee.

73. *The Seal of the Society.*—The Society shall have a common seal which shall be in the custody of the Secretary of the Society, and shall be used only under the authority of a resolution of the Committee; and every deed or instrument, to which the seal is attached, shall be attested for or on behalf of the Society by the signature of the Chairman, the Secretary and a member appointed by the Committee for the purpose.

Signatures

IV. The Fatwa Co-operative Union Dispensary, Ltd.—

There is a group of 16 Societies round about Fatwa (in the district of Patna) which are affiliated to a Guarantee Union. These societies are at present the main contributors to the dispensary. Only the members of co-operative societies affiliated to the Union are eligible for membership. Each member pays Re. 1/- as entrance fee and Re. 1/- as annual subscription. He and the members of his family are entitled to get medicine and doctor's advice free, but if the doctor is called at any member's house he is paid half of his fee *viz.*, Re. 1, and his actual travelling expenses. The dispensary is in charge of a Sub-Assistant Surgeon who has been declared fit to hold charge by the Inspector-General of Hospitals who has encouraged this new co-operative venture by including it in the list of dispensaries in his charge in the Province and by sending all necessary forms, registers etc. The dispensary also distributes medicine amongst non-members for which a small charge is made only for the medicine, which at present is half an anna per dose, and to the needy and the poor medicine is distributed free altogether. Since the establishment of the dispensary on April 19, 1916 up to the middle of July of the same year *i. e.* within three months of its establishment 393 members, 231 non-members who have paid the price for the medicine and 519 non-members who have received the

medicine gratis bring the total to 1143 people who have received medical help from the dispensary. This speaks well of the popularity of the institution which started work only a few months ago. Out of about 430 members in the societies affiliated to the Guarantee Union 259 members had already joined the Co-operative Dispensary and they have paid each Rs. 2 for their entrance fee and annual subscription. Model institutions like this should be started in large number with the help of District Boards. There cannot be more deserving cases for aid from District Boards than these useful hospitals which are creations of popular self-help. They will find that it will be far more economical for them to render necessary help to such popular institutions than to maintain hospitals at their entire cost. As such dispensaries will be under the supervision of their members, they will be better looked after than District Board Dispensaries situated in the outlying parts of a district where the doctor in charge is often the master of the situation. Writing about the Fatwa Dispensary the Registrar of Co-operative Societies, Behar and Orissa, remarks "that one of the reasons of the popularity of this institution is the good quality of the medicine that is distributed and people seem to have a belief, which might be quite unfounded, that they do not get good medicine in charitable dispensaries. The dispensary has a further claim on the patronage of the District Board as it is dispensing medicine free to needy and poor people". In this connection he points out "that it should be remembered that the dispensary is originally meant for the benefit of its members and it should not be mistaken for an ordinary charitable institution. The members who maintain the dispensary are poor cultivators and their institution should not be used for doing charity to others. Medicine should be given gratis only in exceptional cases and not too freely at the cost of the members." This warning has not come too soon; for such exuberant

charity might adversely affect the success of the first experimental co-operative dispensary in India which deserves wide imitation everywhere.

BY-LAWS OF THE FATWAH CO-OPERATIVE UNION DISPENSARY.*

Constitution.—1. The Fatwah Co-operative Union Dispensary shall be governed by the rules sanctioned by the Bihar and Orissa Government under Act 2 of 1912.

2. Its registered office is for the present at Sonaruh, P. O. Fatwah, Thana Fatwah, Sub-Division Barh, District Patna. (On receipt of sufficient fund permanent building will be erected at Fatwa which will be notified to the Registrar and Officers concerned with medical department).

Object.—3. The object of the dispensary is :—

- (a) To render medical aid to the members of the Co-operative Societies within the jurisdiction of Fatwah Thana.
- (b) To supply medicine free of cost to its members.
- (c) To provide medical assistance to people at a moderate expense.

Membership.—4. A member of a Co-operative Society within the jurisdiction of Fatwah Thana is eligible to become a member of the Dispensary provided he fulfils the conditions laid down hereafter.

Admission of members.—5. (a) A member of a Co-operative Society desirous to become member of the Dispensary may apply to the managing committee who after due consideration may admit or refuse his application.

(b) In case, his application is rejected, he may appeal to the General Meeting, whose decision will be final.

6. Every member shall pay an admission fee of Re. 1/-, shall sign his name or put his thumb impression in a Register of members to be kept by the Dispensary.

7. If a member dies his legal heir will be entitled to succeed the deceased, if he applied within 3 months from the death of the deceased and shall be exempt from the admission fee, provided he has been substituted his ancestor in the Society.

[*Issued from the Office of the Registrar of Co-operative Societies, Bihar and Orissa].

Cessation of Membership.—8. Membership shall cease by:—

- (a) severing connection with the Co-operative Society.
- (b) misconduct.
- (c) non-payment of subscription within prescribed period.
- (d) death.

Suspension and expulsion.—9. The Managing Committee of the Dispensary may suspend or expel any member if they find (a) any act contrary to the By-laws (b) or wilful negligence in nursing the patient connected thereto, (c) an attempt to discredit the Co-operative movement.

Liability of Members and Loan.—10. Every member will be liable for any loss etc. twice the annual subscription.

11. The Managing Committee may authorise 3 of its members including Chairman and Secretaries to incur any liability or to borrow in case of necessity up to the amount fixed at the General Meeting.

Fund.—12. Every member shall pay an annual subscription of Re. 1 in the month of June every year.

13. In the month of July every year the Managing Committee may debar such members from enjoying any benefit of the membership of the Dispensary who failed to pay an annual subscription in the month of June.

14. But such members may be re-elected on payment of annas 8 as penalty till the month of December and Re. 1 till the end of the year besides the annual subscription in default.

15. The price of medicines realised from non-members will be contributed to the Dispensary fund.

16. The Managing Committee is empowered to accept any generous donation (a) from any person or persons.

- (b) from Government or local bodies.

17. The fund raised above will be utilised for up keep of the dispensary.

18. In case of deficiency of resources to meet the requirements of the dispensary the Managing Committee with the approval of the members in the General Meeting may impose an additional subscription of a sum not exceeding Rs. 2.

Rights.—19. (a) Every member will get medicine free of cost for his family alone from the Dispensary.

(b) The medical Officer in charge of the Dispensary will give him advice free of cost in case he will attend the Dispensary at the appointed time.

20. (a) When any member will require the services of the medical Officer in charge of the Dispensary at his home he will give him Re. 1 as fee excluding actual travelling expenditure or will provide him with a suitable conveyance.

(b) In surgical operation members have to pay a sum of annas 8 to the Medical Officer as a reward even in the Dispensary out of which annas 4 will be credited to the Dispensary fund and annas 4 will be paid to the Medical Officer in charge of the Dispensary.

Duty.—21. (a) Any member suffering from any ailment may come to the Dispensary for diagnosis at a fixed time and will be examined in turn by the Medical Officer in charge of the Dispensary free of charge.

(b) On taking advice and medicine he will apply it in strict conformity with the direction of the Physician.

22. To give all possible assistance in fostering the movement.

Management.—23. The management of the Dispensary shall vest in the managing committee. The committee shall consist of not less than 9 members and not more than 15 members including a chairman, vice chairman and secretaries who will be elected annually at the General Meeting.

24. The Sub-Divisional Officer, Barh, will be ex-Officio Chairman.

25. They will meet at least once a month and will record their proceedings in the Minute Book to be kept for the purpose and will be signed by the Chairman.

26. Half of the members shall constitute a quorum.

27. In every meeting the Chairman will preside. In the absence of the Chairman or Vice-Chairman the Committee may elect one of its members to preside at the meeting.

28. The duty of the Managing Committee shall be :—

(a) to deal with applications for membership.

(b) to raise funds in accordance with the provisions of these rules.

(c) to receive and disburse money.

(d) to appoint such salaried and non-salaried officers and other employees as the work and interest of the dispensary may require and funds permit.

(e) to appoint a treasurer.

(f) to prepare a statement of accounts which shall include an abstract of receipts and expenditures classified under the different heads and balance sheet setting forth the stock and cash, profit and loss statement and annual report for submission to the general meeting.

- (g) to make arrangement for efficient working of the dispensary.
- (h) to deal with any complaint of ill treatment by the Medical Officer in charge of the Dispensary or his subordinates.
- (i) to transact all other business incidental to the management of the Dispensary.
- (j) the managing committee may remit the expense of medicine to a non-member who is in opinion of the committee too poor and unable to contribute it.
- (k) to hear and pass orders on complaints.

29. The Managing Committee may delegate all or any of its powers to the Chairman, Vice-Chairman or Secretaries or to all of them. But their acts in pursuance of such delegation shall require the confirmation of the Managing Committee.

30. The members of the Managing Committee shall be responsible for the good management of the Dispensary.

General Meeting.—31. The supreme authority of the Dispensary is vested in the General Meeting of its members. Every member present shall have one vote. One fifth of the members will form quorum of the General Meeting. The Chairman shall have a casting vote. On all questions the opinion of the majority shall prevail.

32. The General Meeting must maintain a general supervision over the business of the Dispensary, specially over the acts of the Managing Committee.

33. The General Meeting shall be of two kinds, ordinary and extraordinary.

34. The duties shall be :—

- (a) to consider the annual report of the managing committee and to pass the account of the Dispensary for the preceeding year.
- (b) to review the work of its officers and to hear and decide all complaints against them.
- (c) to elect the office-bearers of the Dispensary.
- (d) to pass the budget of the next year.
- (e) to fix the maximum amount of loan which the Committee might take to defray the expenses of the Dispensary.
- (f) to decide as to changes in the rules.
- (g) generally to consider all matters of importance that may be brought before it.

CHAPTER XV.

GUARANTEEING UNIONS IN BURMA.

Before dealing with the higher co-operative financing

Province.	No. of unions.
Madras	4
Bengal	7
Burma	90
Assam	2

agencies, we desire to refer to the system of guaranteeing unions which in some provinces form the link between those financing agencies and the primary societies. The number of such unions shown in the returns for each province is, as noted in the margin. In Madras, the constitution of unions has varied at different times and those

latterly established entail no guarantee for loans given to the societies of the unions. The unions in Bengal and Assam are intended to follow generally the Burma model, and somewhat similar unions are contemplated in Bihar and Orissa. It is in Burma that the system of guaranteeing unions had its origin, and as will be seen from the figures above quoted, it is in that province that the system has had its greatest development.

There are 90 such Unions in Burma (comprising about 900 societies), to which the majority of the Societies in the Province are affiliated. A Union as a rule consists of 5 to 35 Societies within a maximum radius of about 8 miles, *i.e.*, a morning walk from the union headquarters. It is managed by (i) a Committee consisting of the Chairman and one or more Vice-Chairmen, (ii) by the Union General meeting at which each society is represented by two delegates. Its objects are firstly mutual inspection and assessment of credit, and secondly mutual guarantee. The means by which the first object is secured are (*a*) by the employment of a Union clerk, generally not a

whole-time employee, drawing Rs. 5 to Rs. 15 per month, whose duty it is to keep the Union accounts and records, and to train and help the Secretaries of all Societies in the Union, (b) by arranging that members of the Union Committee should inspect and visit affiliated Societies, by giving warnings and by issuing any general regulations that seem desirable, (c) by contributing towards the maintenance of a Union Inspector, a whole-time officer on about Rs. 50 per month, serving 5 to 10 Unions, whose business it is to inspect Societies on the spot, to help in correcting faults, and to send inspection notes to the Union Committee for their information, (d) by considering indents for loans from affiliated societies at a Union general meeting and sanctioning such loans as in each case may appear to the meeting to be suitable. The Unions do not themselves handle any cash nor do they do any banking business. Funds for the maintenance of the staff are obtained by levying a Union rate which varies from 4 to 12 annas per cent per annum on the working capital of constituent Societies. Mutual guarantee is effected by the rule that all Societies constituting the Union shall be liable for any default by a Society in the repayment of a loan recommended by the Union to the extent of the maximum amount of loans from non-members held by each of them in the course of the preceding year. All applications for loans pass through the Unions to the Registrar who can check their discretion and see that such Union gets its fair share of funds available in the Central Bank. The Registrar informs the Provincial or Central Bank of the amounts sanctioned by him and directs it to make a remittance accordingly.

So essential have these Unions been found as agencies for assessing credit, for control and for propaganda on sound lines that it is now the rule in Burma that no society in a Union area is registered unless its admission is promised by the Union, and no society is registered outside an existing Union

area unless there is a good prospect that a union will later be likely to come into existence.

The by-laws (reprinted below) provide that no society can be admitted unless four-fifths of all societies in the Union agree to admission—as a rule a society is only admitted on a unanimous vote. No society can withdraw without 18 months' notice. Affiliated societies have a *right* to be inspected and advised and to have their borrowing capacity assessed and guaranteed by the remaining societies in the Union. Their *duties* are to be loyal to the Union in every way, to assist it and inform it of all matters affecting it adversely.

Each society before admission must pass a resolution in general meeting agreeing to join the Union, to abide by its by-laws, and authorising its chairman and two committee men to sign on its behalf a declaration to the effect that the society accepts all the rights, duties and liabilities imposed or to be imposed by the Union.

"The chief benefit conferred on the movement by the Union system," says the Burma Registrar, "is that it brings out and develops the best human talent in the primary societies. It is surprising, what responsibility and local support will produce in this way. The movement thus develops from within, and the humble cultivator whose gifts of capacity and authority were unknown to his neighbours and to himself, becomes a leader of men, specially trusted and specially influential as one of themselves."

BY-LAWS OF THE—UNION OF CO-OPERATIVE CREDIT SOCIETIES.*

Name—Address—Objects.—1. The Union, which is registered under Act II of 1912, shall be called the Union of Rural Co-operative Credit Societies, Limited. It is governed by the provisions of the Co-operative Societies Act, II 1912.

* [Issued from the office of the Registrar of Co-operative Societies, Burma.]

2. The registered office of the Union is at
3. The objects of the Union are—
 - (i) To develop Co-operative Societies to the utmost of its power;
 - (ii) To provide a means of assessing and guaranteeing the credit of each Co-operative Credit Society admitted into it;
 - (iii) To control such affiliated Societies by careful and regular supervision;
 - (iv) To settle all matters of common interest, to advise and assist its members, and to further their interests in every way.

Membership—Admission—Withdrawal—Expulsion.—4. The following are eligible for membership of the Union :—

- (a) Co-operative Credit Societies, situated in the group of villages approved by the Registrar, which are solvent and sound in working and which subscribe the application for registration of the Union;
- (b) Societies situated in the same vicinity which are elected hereafter according to the by-laws.

Societies which are admitted as members of the Union shall be called affiliated Societies.

5. *Admission.*—An eligible Society desiring admission into the Union shall apply for admission to the Union Committee. Its application shall be considered at a General Meeting of the Union and it shall be admitted if at least four-fifths of the Societies in the Union agree to its admission. On admission it shall by its Chairman and two Committee members sign a declaration in the Form A attached to these by-laws accepting all the rights, duties and liabilities prescribed by these by-laws and by the Co-operative Societies Act II of 1912 and rules made thereunder.

6. *Withdrawal.*—No such affiliated Society shall withdraw from the Union except on the expiry of one and a half years from the date of its giving notice of withdrawal, and after paying to the Union all sums due by it.

7. *Expulsion.*—If an affiliated Society be found guilty by the Union of careless or bad working, the Union General Meeting may direct that within one month it shall repay all or part of its borrowings from non-members and the affiliated Society shall thereupon be bound to obey such direction. If its working be not improved, or if it be guilty of disloyalty to the Union it shall be liable to expulsion from the Union by resolution of the General Meeting.

Funds.—8. Each affiliated Society shall in February and July contribute to the Union Committee a rate of not less than annas 4 (to be fixed by the General Meeting) on each Rs. 100 of its funds.

9. The fund thus raised shall be kept by the Chairman of the Union and shall be applied to—

the payment of the Secretary and Union Inspector ;

the payment of contingencies ;

the payment of Rs. 2 per Society inspected for inspections made by the Union Committee members as prescribed in sections 13 and 14.

Rights, Duties and Liability of Affiliated Societies.—10. *Rights.*—

The rights of an affiliated Society are—

- (1) To obtain inspection by members of the Union Committee or Inspectors appointed by the Union.
- (2) To have its borrowings from non-members guaranteed by the remaining Societies in the Union.

11. *Duties.*—The duties of an affiliated Society are—

- (1) To administer its work in strict conformity with its by-laws and the constitution of the Union.
- (2) Carefully to carry out the instructions and orders of the Union.
- (3) To give all possible assistance to the persons sent by the Union to inspect its management and working and to teach co-operative principles and accounts.
- (4) To allow its books and cash balance to be inspected after two days' notice by the Chairman and two Committee members of any other affiliated Society.
- (5) To inform the Union at once of any reduction in its membership or of any economic disaster or other matter affecting its financial stability.
- (6) To fix the maximum which may be borrowed from all sources by the Committee for a year ahead in the month of December annually.
- (7) To observe the maximum limit of borrowing imposed by the Registrar.
- (8) Within the maximum borrowing limit imposed by the Registrar, to seek for local deposits, and for such amounts as cannot be obtained from such deposits, to apply to the Union to sanction a credit with the Central Bank for a year ahead.

- (9) To see repayments made by its members according to the A B C system laid down in its by-laws and in January each year to report to the Union the amount that it will repay to local depositors and the Central Bank.
- (10) To report compliance with audit orders and other instructions to the Union.

12. Liability.—The liability of an affiliated Society is—

To guarantee the liabilities of the other Societies affiliated to the Union or expelled by it under by-law 7 (in respect of the liabilities incurred by such expelled Society or Societies before expulsion) at any time to the extent of, but not in excess of, the maximum amount of loans from non-members that it has held during the year immediately preceding that time or of half the total of its working capital (shares, reserve fund and deposits from members and non-members) whichever be the greater.

Inspection.—13. The Union Committee shall be responsible for sending two of its members or a paid Inspector twice a year, before the February and September General Meetings, to examine the accounts and workings of all affiliated Societies, and to teach their members co-operative principles.

14. The examination shall not be restricted to a mere arithmetical audit of books and balance sheets. The persons inspecting shall see that the administration of each affiliated Society is carried on in strict conformity with co-operative principles, with its own by-laws, with the by-laws and orders of the Union, and with the Co-operative Societies Act and rules framed thereunder. They shall assure themselves that defects pointed out in previous inspections and audits have been remedied. They shall gauge the stability of each affiliated Society and form definite conclusions, as to whether the members have improved their standing owing to the existence of the Society.

Organization and Management. 15. The Union shall be managed by (1) the General Meeting ; (2) the Committee.

16. *The General Meeting.*—Each affiliated Society shall at General Meetings be represented by two members of its Committee.

Other members of affiliated Societies may attend General Meetings but only to listen and advise their representatives.

17. Each affiliated Society shall have one vote for each complete ten members belonging to it.

18. General Meetings of the Union shall be held at least thrice a year in January, April and September, and at other times when summoned by the Committee of the Union.

19. Notice of the time, date and place of General Meetings shall be given seven clear days before the meeting by the Chairman of the Union. If it be proposed to modify the by-laws, fifteen clear days' notice must be given.

20. General Meetings shall be held at the office of the Union, or at the Headquarters of such affiliated Society as the committee may consider convenient and notify.

21. Except as provided for in by-law 5, to obtain a quorum for a General Meeting at least two-thirds of the Societies in the Union must be fully represented.

22. The opinion of the majority shall prevail and in case of an equality of votes the motion shall be held to be lost.

23. The ultimate authority in all matters relating to the administration of the Union shall be the General Meeting. It shall deal, among other matters, with :—

- (1) The enactment, amendment or repeal of by-laws.
- (2) Complaints by affiliated Societies against the Union Committee.
- (3) The admission of new Societies into the Union.
- (4) The election (yearly between January 1st and the end of April) of a Chairman and Vice-Chairmen of the Union, which officials form the Union Committee.
- (5) Inspection reports by Committee members or the Union Inspectors on affiliated Societies.
- (6) After scrutiny of the amount fixed as the maximum to be borrowed by its Committee by each affiliated Society and after consideration of the assets, liabilities, earning capacity and character of the members of and the working and management of affiliated Societies and audit reports thereon, the fixation of the maximum borrowing power from all sources for a year ahead of each affiliated Society.
- (7) The report to the Registrar of the amount so fixed.
- (8) The record in a register of the maximum credit finally fixed for the year ahead by the Registrar.
- (9) The record of the amount of cash credit fixed for a year ahead by the Central Bank for the whole Union.

- (10) The partitioning of part or all of the funds arranged for by such credit among its affiliated Societies. (*N. B.*—A balance should always be left over for emergencies.)
- (11) The requirement of lists showing individual requirements of members from C and D class Societies and if considered necessary from A and B class Societies also.
- (12) The refusal to sanction funds for any Society and the reduction of the amount sanctioned by a previous General Meeting.
- (13) The requirement that any Society guilty of bad working or management shall repay all deposits and loans held by it within a month (by-law 7).
- (14) For bad work, mismanagement or disloyalty, the expulsion from the Union of any Society (by-law 7).
- (15) The fixation of the Union rate (by-law 8).

24. The resolutions of the General Meeting shall be recorded in a Minute Book.

25. When the amount of credit to be allowed to an affiliated Society is under discussion at a General Meeting the representatives of that Society shall, after being heard, together with any other members of that Society that may be present, withdraw.

26. *The Committee.*—The Union Committee shall consist of the Chairman and Vice-Chairmen of the Union.

27. It shall meet as often as may be necessary for the transaction of business.

28. Meetings shall be summoned by the Chairman and three days' notice given.

29. The Chairman of the Union shall be its Chairman. He shall be *ex-officio* Treasurer of the Union funds.

30. It shall appoint a Secretary who may be paid.

31. Other members of the Committee and General Meeting and the Chairman shall work gratuitously.

32. Of the Committee half shall form a quorum.

33. Each member of the Committee shall have but one vote.

34. The opinion of a majority of those present shall prevail. In case of equality of votes the motion shall be held to be lost.

35. It shall be the duty of the Committee—

- (i) To call General Meetings when it considers it necessary, and in any case thrice a year in January, April and September.

- (2) By explanation to promote the formation of new Societies in its area.
- (3) To enquire or cause the Union Inspector to enquire into the assets and liabilities of Societies desiring affiliation and registration.
- (4) To send the result of such enquiries and recommendations as to affiliation to the Union and registration to the Registrar.
- (5) To depute two of its members or the Union Inspector to teach all affiliated Societies in co-operative principles and accounts and to supervise the working of all such Societies at least twice a year and to ensure that audit orders are carried out by them.
- (6) To see that deposits and interest due to and by affiliated Societies are punctually paid and that loans are properly applied to the purposes for which they were taken.
- (7) To report the result of inspections to the General Meeting.
- (8) To arrange and supervise the work of the Union Inspector.
- (9) To keep the accounts of the Union and submit them to the General Meetings in January and September.
- (10) To receive from Junior Assistant Registrars and Society paid Auditors the audit reports of affiliated Societies and, after reading, taking the necessary action on the same to forward them without delay to the Registrar.
- (11) To submit copies of the minutes of all General Meetings to the Registrar.
- (12) To fulfil the six criteria and see all affiliated Societies fulfil them.
- (13) Continually to seek to improve the efficiency of all affiliated Societies.
- (14) To record all its acts in a Minute Book.
- (15) To collect the Union rate as fixed by the General Meeting.
- (16) To receive and, if approved, endorse by the signature of two members of the Committee and forward indents by affiliated Societies on the Central Bank.
- (17) For very special reasons to retain any such indent pending the summoning of a General Meeting and reference thereto.

36. In respect of all matters duly resolved by the General Meeting or within its powers by the Committee, the Chairman and two members of the Committee shall have power to sign for the General Meeting or Committee, as the case may be, and their signatures shall bind the Union.

Books.—37. The following books shall be kept :—

- (1) List of affiliated Societies, showing number of their members, limit of their borrowing powers prescribed by the Registrar and loans held from non-members.
- (2) Register of Central Bank cash credit and amounts therefrom allotted to affiliated Societies.
- (3) Register of inspections.
- (4) Cash Book.
- (5) Minute Book.

Balance Sheet.—38. A balance sheet must be made out yearly in July and sent to the Registrar. It must be presented to the September General Meeting.

General.—39. The books of the Union and copies of the Act, Rules made by the Local Government thereunder, and by-laws of the Union shall be kept open to inspection by members of affiliated Societies free of charge at all reasonable hours at the registered address of the Society.

40. These by-laws are supplementary to the provisions of the Co-operative Societies Act and Rules thereunder and the Union will be guided by the Act, Rules and by-laws read together.

Form A.—Declaration to be signed by a Co-operative Credit Society upon affiliation to the Union of Co-operative Credit Societies.

We the undersigned Chairman and two Committee Members of the Co-operative Credit Society, being authorized so to do by resolution of the General Meeting of our Society, hereby, on behalf of the said Society, agree to accept all the rights, duties and liabilities prescribed by the by-laws of the Union of Co-operative Credit Societies and to abide by its by-laws as a condition of our Society being admitted into the said Union as an affiliated Society.

1. Signature of Chairman.
2. Signature of Committee Member.
3. Signature of Committee Member.

CHAPTER XVI.

HIGHER CO-OPERATIVE FINANCING AGENCIES : CENTRAL CO-OPERATIVE BANKS.

I. Constitution and Management of Central Banks.—

Central Banks in India may be classified according to their constitution as (1) banks of which the membership is confined to individuals, (2) banks of which the membership is confined to societies, and (3) banks which have a mixed membership of both individuals and societies. The first class includes banks in which individuals only are share-holders and banks in which registered societies may become share-holders, but upon exactly the same terms as individuals and without any special provision being made for their representation. In the case of banks of the third class a certain proportion—generally a large proportion—of the shares is reserved for registered societies which are given special representation on the board of directors ; these banks are best suited to present Indian conditions.

Banks of the second class are those which would ordinarily be described as most truly co-operative in character, since in them is eliminated all conflict of interest between the Central Bank as lender and the local societies as borrowers. Banks of this class too can be conducted at a very small cost for management, as the amount of supervision necessary is reduced to a minimum. But, though desirable in themselves, they are seldom competently managed, and do not leave room for the help of the middle classes, and should therefore be postponed to a later stage.

It might seriously be disputed whether banks of the first class are really entitled to be considered co-operative.

They are hardly to be distinguished from joint-stock banks, and in some cases they do not even limit their activity to transactions with co-operative societies. Such Central Banks should not be registered if they propose to grant loans to any other persons or institutions except to co-operative societies or to undertake any outside banking business. The by-laws should include provisions limiting dividends and the directors should maintain an independent staff for assessing the credit of the borrowing societies. It is the Registrar's duty to see that the contract between the Central Bank and societies is not unfavourable to the latter. In any case this type of Central Banks should gradually disappear.

Central Banks generally serve a well-defined area which usually coincides with some administrative division, such as district or tahsil. The number of societies to which a bank makes loans varies very considerably, largely because in some cases the bank deals directly with each local society, while in others it deals with unions of the societies. Central Banks should, however, ordinarily be prepared within a reasonable time to deal with 200 or 250 societies.

II. Composition of Capital.—

As in the case of Primary societies Central Banks draw their working capital from four main sources—(1) shares, (2) deposits, (3) loans, and (4) reserve fund.

(1) *Shares*.—The share capital is subscribed by individual share-holders and by affiliated societies. In banks of the mixed type the shares held by individuals are sometimes distinguished as preference shares and enjoy either a certain right to a cumulative dividend or a prior claim on the capital in case of liquidation, the object being to make investment in the shares attractive to the outside public. The nominal value of shares ranges from Rs. 10 to Rs. 500, the shares assigned to individuals being sometimes of higher value than

those held in the same bank by affiliated societies. Under section 5 of the Co-operative Societies Act, 1912, no individual may hold more than one-fifth of the total share capital of any society, or in any case more than Rs. 1000, except with the special sanction of the Local Government.

Practice varies with regard to the distribution of voting power. In the Punjab and the United Provinces, for instance, each share entitles the holder to one vote ; in Assam and the Central Provinces each shareholder has one vote only ; in Bombay and Burma voting power is carefully graduated so as to give proportionately fewer votes to large holders than to small ones.

Liability with respect to shares is ordinarily limited to their face value, but in a few provinces the banks have adopted the practice of fixing the liability at some multiple of the nominal value of the shares held. Thus in Bihar and Orissa the liability of preference share-holders is usually double, while that of ordinary share-holders varies from five to ten times the value of the shares held. It is not the rule that shares are fully paid up. In Assam, for instance, only 50 per cent of each share has been called up ; in Bihar and Orissa the practice is for one-fifth of the subscribed capital to be called up at the start, and no bank has so far called up more than two-fifths. The MacLagan Committee disapprove the use of reserve liability, particularly in the case of individual share-holders, on the ground that after the lapse of a certain time, and specially in moments of financial stringency banks would find it difficult to obtain payment of any part outstanding on shares.

In order to gain public confidence and attract deposits it is desirable that the share capital should be as large as possible consistently with economy in working. But the maximum rate of dividend on such shares is usually fixed by the Local Governments at 12 or $12\frac{1}{2}$ per cent.

(2) *Deposits*.—For the whole of India deposits amount to 65·4 per cent of the total liabilities of Central Banks. They are obtained chiefly from professional men, landowners of medium status, Government servants and Europeans. Only to a very limited extent, and that only in Bengal and parts of Northern India, do Central Banks compete with Joint-Stock Banks for deposits. The rate of interest paid on deposits is normally from 5 to 7 per cent on deposits for one year, increasing by not more than one per cent for each additional year on deposits for longer terms. A certain small proportion of the deposits consists of deposits made by societies affiliated to the Banks. In Madras it is compulsory for societies to deposit their reserves with the Central Bank ; in Burma one-quarter must be so deposited.

(3) *Loans*.—The loans received by Central Banks are generally from (i) outside banks, (ii) other Central Banks, (iii) Provincial Banks and (iv) Government. The outside banks are either Presidency Banks or ordinary joint-stock banks : the Presidency Banks of Madras and Bengal accommodate banks with cash credit upon certain conditions, and on January 1, 1915, the total cash credits sanctioned amounted to Rs. 8,45,000 of which amount the banks had drawn Rs. 5,33,657. Presidency Banks are, by their constitution, forbidden to make any advance for longer periods than six months, so that they can serve the co-operative movement to a limited extent only. Central Banks, however, can generally obtain either cash credits or loans from joint-stock banks at reasonable rates. Loans from other Central Banks are taken in provinces where there is no bank in the position of a Provincial Bank, and where, therefore, the only way in which Central Banks can use their surplus funds for the good of the co-operative movement is by lending to one another. If, as recommended by the MacLagan Committee, an apex bank is established in every province, lending between banks will be

discontinued, Loans from Government are insignificant in amount and are decreasing gradually.

(4) *Reserve fund*.—Central Banks as a rule place only the minimum of one-fourth of their net profit to the reserve fund, distributing the remainder as dividend or allotting it to certain special funds—Building Funds, Dividend Equalisation Funds, etc. The actual amount of the reserve fund of all Central Banks is Rs. 4,44,000, equal to 2 $\frac{1}{2}$ per cent of the total liabilities. There is no uniform rule with regard to the employment of the reserve fund and it is often used in the bank's own business.

The capital *owned* by the Central Banks (as opposed to capital *held and used* by them) consists of the reserve fund and the paid-up share capital: the average proportion in British India of the total owned capital to the total liabilities is 14.8 per cent, which may be considered very satisfactory. The Maclagan Committee express the opinion that in ordinary circumstances paid up share capital and reserve fund should be equal to not less than 12 $\frac{1}{2}$ per cent on the total liabilities, and it will be seen that the actual percentage for all Central Banks in British India is 14.8. For the 18 chief joint-stock banks in India the corresponding figure is 13.9 per cent.

The following recommendations and opinions of the MacLagan Committee on the subject of the composition of capital in Central Banks deserve careful attention :—

There is no objection to the discontinuation on the part of Central Banks of the practice of levying affiliation fees.

All shares in a Central Bank should preferably be on one footing. But if it is absolutely necessary in order to attract local capital, the shares assigned to individuals may carry preference as regards dividend, but not cumulative dividend.

It is simpler if the shares held by societies and individuals are of uniform value.

Societies should ordinarily be required to take shares in their Central Bank in proportion to the amount of their borrowings from it.

Every shareholder in a Central Bank should have one vote only. If there is a difficulty in raising capital, Local Governments may properly authorise individuals to hold shares in excess of the statutory maximum of Rs. 1,000 but otherwise the limit fixed by the Act should be adhered to.

All shares held by individuals should be fully paid up. Reserve liability is permissible in the case of shares held by societies.

Reserve liability should be restricted to the face value of the shares and not to some multiple of it.

The rate of dividend should be limited by rule. When most of the shares are held by societies, the maximum should be the same as the average lending rate. When the shareholders are chiefly individuals, it should not exceed the average rate paid on deposits by more than 2 or 3 per cent. Bonuses should be prohibited.

Deposits by primary societies in Central Banks should consist of (1) excess deposits received by them and passed on, and (2) small deposits for short periods. Reserve funds should not be deposited in them.

The opening of current accounts is deprecated, but in places where banking facilities do not exist may be permitted. A low rate of interest not exceeding 2 per cent should be paid on such accounts and the whole amount so held should be covered by cash or Government paper irrespective of fluid resources kept to cover other liabilities.

Savings accounts may be opened on behalf of members and non-members provided that 75 per cent of the amount so held is covered by cash or liquid investment, that the maximum accepted on one account is small, that notice of withdrawal is required and that they are not allowed to become current accounts.

Central Banks should make every effort to obtain deposits sufficient to meet all their needs and may draw them from any area subject to such restrictions as may be found locally advisable.

The average period of deposits should not be less than the average period in which loans are repayable. In arranging to repay deposits banks should not count on renewals or fresh deposits but rely on stipulated repayments of loans, and should spread receipts and payments as far as possible over the whole year.

To meet all charges entailed by our recommendations Central Banks require a 3 per cent margin and primary societies the same.

Special care should be taken to repay deposits punctually. The intentions of depositors with regard to renewals should be ascertained in advance.

Central Banks should be allowed to regard the undrawn portion of any cash credit granted to them by a Presidency Bank as a fluid asset.

Cash credits with Joint-Stock Banks of recognised stability also constitute legitimate fluid resource. The Registrar should introduce Central Banks to Joint-Stock Banks and furnish the latter with any information they require. Joint-Stock Banks should be expected to examine the position for themselves and not to rely on Government support for repayment.

Loans by Central Banks may with the Registrar's sanction be made to other Central Banks. Loans between Central Banks should cease as soon as a Provincial Bank is started.

Banks should raise capital by means of long-term deposits rather than debentures, unless in very special cases they are in a position to secure debentures on immoveable property.

Share capital plus reserves should be at least $12\frac{1}{2}$ per cent of the total liabilities.

III. Employment of Capital.—

Owing partly to the mistaken ideas with which some Central Banks were started, and partly to the fact that several of these banks have developed out of ordinary urban credit societies, it is in some cases customary for them to grant advances to individual share-holders, where they exist, as well as to affiliated societies. In most banks this practice is being gradually abandoned—and we think rightly so. Wherever it is found essential that individual members should be enabled to take loans, we should prefer that a separate urban bank should be formed to meet their needs ; but in cases where this is found impracticable, a by-law should be introduced with the object of gradually restricting the practice. It should be no part of the business of a Central Bank to grant loans to individuals. The object of the admission of the individual shareholder should be to secure his help and it is not intended that he should borrow funds or appropriate capital intended to support primary societies.

The MacLagan Committee observe "that under the conditions prevailing in India it is inadvisable for Central

Banks to undertake any outside banking work and they should confine themselves to financing primary societies and serving as their balancing centre. In Europe, it is true that outside business is undertaken both as a convenience to members and in order to increase the turn-over, but with the agency at our disposal in India and at the present stage of development among the people we would discountenance any attempt on the part of Central Banks to seek profit by means of investments, discounting bills, or other methods of ordinary bankers."

The following opinions and recommendations of the Maclagan Committee on this subject deserve careful attention :—

Central Banks should not grant loans to individuals, nor should they undertake any outside banking work.

A Central Bank should assess the credit of an affiliated society after re-examining and testing either by its own staff or through a union the society's own estimate of its borrowing power and the data on which the society has fixed the normal credit of its members and considering the society's needs and its own existing funds.

The data required by a Central Bank should include a valuation of (1) the moveable and immoveable property of the members of a borrowing society and (2) the earning and saving capacity of the same members. These data should be used to check conclusions based on the character of the society and on its past record.

Where a union exists the valuation mentioned above should be made by it ; where not, by the Central Bank. Responsibility for the making of the valuation should be undivided. The Registrar should have power to require the reduction of the credit of any society.

Loans should be sanctioned as far as possible all together at one or two main seasons in the year.

Central Banks should accept the opinions of Unions with regard to the purpose and amounts of loans, but in case of insufficiency of funds to meet all claims, may refer back to the Union.

Subject to the condition that the terms of loans must depend on the terms for which deposits are held and that repayments due within a given period should exceed the deposits falling due within the same period, Central Banks may grant loans either recoverable in fixed instalments or

on pro-notes nominally payable on demand, the society's repayments corresponding with the repayments made by members.

Cash credits should be freely opened in favour of thoroughly well-managed societies.

The security taken from a borrowing society should ordinarily be a pro-note. Shares held by societies in Central Banks should not be accepted as security for a loan though deposits may be.

Rates charged on loans should be below bazar rates but should be high enough to allow of a wide margin. Rates may vary on a definite system with reference to the character of the borrowing society and the length of the loan.

Money recovered from members should be at once available for repayment by a society to a Central Bank. The Central Bank should supervise recoveries but need not prepare lists of overdue loans.

Central Banks should not ordinarily institute proceedings against defaulting societies in civil courts, but should exercise pressure through their staff and finally apply to the Registrar to take action under section 36 of the Act.

After providing fully for fluid resources, a Central Bank may legitimately use balance (if any) of reserve fund in its own business.

To meet contraction of credit Central Banks must keep fluid resources.

These should be sufficient to meet half deposits due during the ensuing year, supposing no fresh deposits or renewals were made and no repayments received.

Fluid resources are only to be utilized when other sources fail.

The fluid resources of a Bank must suffice to meet its own requirements and those of societies which have entered into arrangements with it.

The standard of fluid resources should be re-adjusted quarterly.

Superfluous funds should be passed on to Provincial Banks.

In calculating net profits for purposes of distribution, Central Banks should always deduct interest accrued and overdue. Interest earned but not due should be shown separately in the profit and loss account.

The provision of contingent or bad debt fund is desirable in the case of banks which only place the legal maximum to reserve.

Building funds are permissible, provided that they are postponed to the provision of an adequate fluid resource. Where such buildings serve also as agricultural depots Government may properly contribute to their cost.

CHAPTER XVII.

HIGHER CO-OPERATIVE FINANCING AGENCIES : PROVINCIAL CO-OPERATIVE BANKS.

There are only two banks in the Indian Co-operative system which are described as Provincial Banks viz, those in Bihar and Orissa and the Central Provinces. There are three other banks which are in some respects at least in the position of provincial banks, viz., the Madras Central Urban Bank, the Bombay Central Bank, and the Mandalay Central Bank. In the other provinces no such "apex bank" has yet been established, though in Bengal and in the United Provinces arrangements are in progress for the establishment of such apical banks.

I. The Central Provinces and Berar Provincial Co-operative Bank :—

The Provincial Co-operative Bank of the Central Provinces and Berar was registered in April 1912. This Bank is the final link in the chain connecting the village co-operative credit societies with the ordinary money-market. It is not intended to supply all the capital required by the movement but to supplement temporary deficiencies of local capital. Central Banks are not at present shareholders in the Provincial Bank, and they are free to deal with the Provincial Bank or not as it suits their convenience. The Provincial Bank does not handle cash, all money being received and disbursed on its behalf by the Jubbulpore Branch of the Allahabad Bank. Cash credits are not granted to Central Banks, but every application for a loan is dealt with on its merits by the Directors of the Bank who have, however, delegated certain definite powers to the Registrar. The Directors have decided that the maximum amount of financial assistance to be granted to any one Central Bank must not exceed five times

the Central Bank's paid up share capital plus its separately invested reserve fund plus the separately invested reserve funds of the credit societies affiliated to the Central Bank.

All the shareholders are individuals, Co-operative Central Banks not yet being represented. The authorised capital of the Bank is Rs. 7,00,000 (paid up Rs. 2,92,350) and consists of 600 Founders' shares of Rs. 500 each, carrying interest at 5 per cent as a first charge on the profits ; and 4,000 Preference shares of Rs. 100 each. On the Preference shares a first call of Rs. 5 has been made and paid up, the remaining Rs. 95 being an uncalled liability which may be called up in two instalments within a period of not less than five months. The Preference shares rank for dividend up to 5 per cent on the paid-up portion immediately after Founders' shares. The holders of Preference shares receive 1 per cent on the uncalled Capital of guarantee for which they are liable. The Bank receives no financial assistance from Government and is in no way guaranteed by it.

The Board of Directors at present consists of eleven leading gentlemen of the Province including the Local Agent of the Allahabad Bank. No Central Bank is so far represented on the Board but several of the Directors are also on the Managing Committee of Central Bank. The office of the Provincial Bank is in the same building as that of the Registrar and the Directors have delegated certain powers of executive control to the Registrar. The staff, which is a growing office staff, costs Rs. 2,500 and includes a Manager who is an Associate of the Corporation of Registered Accountants (Glasgow). The Financial Commissioner, the Commissioners of Nagpore and Jubbulpore Divisions, the Director of Agriculture and the Registrar of Co-operative Societies, Central Provinces and Berar, are entitled to attend general meetings of shareholders and meetings of the Board of Directors, but not to vote.

II. The Bihar and Orissa Provincial Bank :—

This Provincial Bank, which was registered in April 1914, is designed to deal exclusively with Central Banks, but it may, with the sanction of the Registrar, make loans to primary societies in areas where there is no Central Bank.

The management of the Bank is in the hands of 12 Directors, of whom 7 are also Directors of different Central Banks. The Registrar is an *ex-officio* Director and with two other Directors resident at Bankipore serves on the working committee of the Bank, to which most of the Director's powers have been delegated.

The shares of the Bank are of two classes (1) 4,000 Guarantee shares of Rs. 100 each, fully subscribed, on 3,000 of which Rs. 5 per share has been paid up. The remaining portion is a reserve liability which can only be called up to meet the claims of a Presidency or Joint-Stock Bank, in two instalments of Rs. 45 after two months and the remaining Rs. 50 after five months' notice, (2) 600 Preference shares of Rs. 500 each, of which 374 have been subscribed, 170 by private persons and 204 by Central Banks and Societies. On each of these shares Rs. 100 has been paid up, Rs. 100 may be called up at any time at the option of the Directors and Rs. 300 form a reserve liability only enforceable in the event of liquidation of the Bank.

The Bank is a 'Book Bank' and keeps its cash with the Bank of Bengal. In spite of the fact that there was a considerable increase in the rate of interest (which at certain periods rose to 8 per cent) paid to the Bank of Bengal on advances, the Bank showed last year (1915-16) a net profit of over Rs. 6000 and has been able to raise its reserve to Rs. 6000 which is a very creditable figure for so young an institution. In his latest report for the year ending the 31st May, 1916 the Registrar remarks—"As anticipated the Bank has supplied a real need. It has secured the position of the

Central Banks to whom this ready agency for finance is a very great asset. Capital in Bihar is shy and but for the Provincial Bank the question of financing the Central Banks would have been a constant source of worry and anxiety to the Registrar. The Provincial Bank has altered the position altogether. We do not suffer from want of funds, but rather from superfluity."

III. The Bombay Central Co-operative Bank.—

The Bombay Central Co-operative Bank was registered in 1911. Fourteen thousand shares of Rs. 50 each have been issued and subscribed, and Rs 25 have been called up on each share. The bank is empowered to issue debentures up to the value of three times the paid up share capital subject to a maximum of 20 lakhs, and on these debentures Government guarantees a rate of 4 p. c., until they are redeemed. A sinking fund has been provided for at a rate which would entail the extinction of all debentures within not more than 41 years of their issue. In view of the existence of this sinking fund, the bank has been exempted from the provisions of the Act requiring it to carry 25 per cent of its profits to reserve. A reserve of Rs 6000 is, however, maintained to meet possible bad debts.

Loans are made to any registered co-operative society in the Bombay Presidency for periods varying from 9 months to 10 years at a rate of 7 to $7\frac{1}{2}$ per cent according to the character of the borrowing society. The rate of interest chargeable on loans is limited by agreement with Government to a maximum of 8 per cent. Since the establishment of the bank a dividend has been paid at 6 per cent under the agreement with Government. Half of the profits in excess of the amount needed to pay this rate is refunded to borrowing societies in the form of a rebate of interest on loan.

The Bank deals direct with all societies borrowing from it subject only to the restriction that every loan must be

granted with the previous sanction of the Registrar. For the purpose of assessing the credit of applicants three special Mamlatdars, selected from the Revenue Department, are employed under the Registrar, and paid half by the Provincial Bank and half by Government. They visit any society requiring a loan and prepare a valuation statement of the land held by members, which they submit to the Registrar together with a report on the general working of the society.

The Registrar after referring to the audit note and the past record of the society transmits the papers to the Directors of the Provincial Bank for ultimate decision stating the maximum up to which a loan may be granted—a figure which generally does not exceed one-third of the estimated value of the property. When the loan is sanctioned, the amount is sent direct to the society by R. T. R. The work of the Provincial Bank is carried on by an Honorary Manager with a staff of paid clerks under him.

The bank is of the individualistic type, all but nine of the shareholders being private persons. Its directorate is elected by the shareholders and consists of leading business men resident in Bombay City, but does not include any persons sitting as representatives of societies.

This is certainly not a very desirable form of constitution : it has been felt that some scheme should be devised to make this bank more co-operative in its constitution by making it compulsory for borrowing societies to become members of the bank. Mr. Ewbank has given four reasons for effecting this change. Firstly, the profits of the bank were absorbed by subscribing members who were not co-operators. Secondly, co-operators should have a voice in the matter of the Bank granting short-term loans instead of long-term loans. Thirdly, the Bank's directors, not being co-operators, were unable to understand the difficulties of the societies. Fourthly, there was a probability that, not being members of the Bank,

co-operators might be induced to regard it as an alien concern. Happily the directors have willingly fallen in with the idea of enabling societies to become share-holders and have undertaken to find shares for such societies as are anxious to purchase them. As the result of a circular issued by the Registrar, nine societies have already become members, and it is hoped that the same process will be continued till they have their own representatives on the directorate.

IV. The Madras Central Urban Bank.—

The Madras Central Urban Bank was registered in 1905, and organized originally as a Provincial Bank for lending to primary societies throughout the province and is now only distinguished from other Central Banks by the fact that its loans are made over a wider area.

It lends chiefly to primary societies in districts where there are no Central Banks, but also it occasionally lends to other Central Banks on the security of the pro-notes of primary societies, and it lends to its own individual members on the security of their deposits. In no case does the Madras Central Urban Bank grant cash credits. Loans to societies affiliated to Unions are granted by it on the recommendation of a Union which, however, thereby incurs no financial responsibility. For every other loan advanced, it requires the Registrar's separate recommendation. Before granting this the Registrar enquires into every application through his own staff and it is on this enquiry that the Provincial Bank chiefly relies. Asset valuation statements are prepared, and as a rule loans are not sanctioned up to more than $\frac{1}{6}$ th of the valuation of assets, though in some cases the proportion rises to $\frac{1}{4}$ th. Propaganda work is done by the Government Inspectors and also, but to a smaller extent, by the staff of the Unions and 3 of the Central Banks. Organisation is usually done by Chief Inspectors. Propaganda work is not done by the Madras Central Urban Bank.

The shares are all ordinary shares held by individual shareholders (300 in number). There is at present no representation of societies on the Board of Directors. Suggestions have, however, recently been put forward that the Madras Central Urban Bank should soon convert itself into an Apex Bank by so modifying its constitution as to admit of societies becoming share-holders and being represented on the Directorate. No field staff is maintained, but it is proposed shortly to employ 3 touring inspectors. An office staff is employed at a cost of Rs. 12,507, which is engaged wholly in accountancy and banking work. The bank receives no State subvention.

V. The Upper Burma Central Co-operative Bank :—

The Upper Burma Central Co-operative Bank which was registered in October, 1910, is not in the strict sense of the term a Provincial Bank, but it fulfils many of the functions of such a Bank. Nearly one thousand societies are affiliated to it and its operations extend to the whole province. The membership consists of societies and individuals, the shares being valued at Rs 100 each. The funds of the Bank are provided almost entirely by means of long-term deposits repayable in from one to five years. The Bank receives no subvention from Government.

It supplies money to the two existing Central Banks in the Pakkoku and Minobu districts, but outside those districts it deals with the Societies to whom loans are made on the guarantee of the unions and on the basis of the credit assessed by them. Money is advanced up to the amount sanctioned by the union solely on the responsibility of the Registrar, through whom all applications are made. He sends a requisition to the Manager of the Bank who has no discretion but to comply with it. The Provincial Bank exercises no audit or supervision, but new societies are only started within existing unions.

All Societies can vote as shareholders at general meetings and all Union Chairmen (some 113 in number) are *ex officio* members of the Committee. The directorate consists of the individual share-holders and such of the Union Chairmen as may be at Mandalay. The current work is done by a paid Manager, a European lawyer, on about Rs 1000 per mensem with 5 clerks.

The entire control is, however, in the hands of the Registrar who, under the by-laws, requisitions all loans (unless he has sanctioned a cash credit for a society); fixes a maximum limit within which the bank may receive deposits; approves the allotment of shares, all borrowings from outside and the investment of the reserve fund and all drawings on it; declares the annual net profits and sanctions any increase in the rate of interest charged to societies beyond 9 per cent. Besides this, as it may be called, statutory control and his legal power of audit and inspection, the Registrar actually decides at least the main principles on which deposits are to be taken. To all intents and purposes, he is the bank, yet his financial responsibility is nowhere defined, though it is stated in a leaflet issued by him that Government accepts no liability for the debts of the bank.*

* (See an article on *The Upper Burma Co-operative Central Bank* by Mr. B.A. Collins, I.C.S., in the November (1915) issue of the *Bengal Co-operative Journal*.)

Financial details of the existing system.—

The table below shows the working capital, as it stood on January 1st, 1915, of the five banks mentioned and the sources from which this capital was obtained :—

	Bombay.	Madras.	Central Provinces.	Burma.	Bihar and Orissa.	Total.
	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	
Shares ...	3·84	2·00	2·93	1·92	.52	11·21
Deposits ...	12·51*	23·34	7·30	21·50	1·97	66·62
Loans ...	...	2·68	1·48	.16	1·14	5·46
Reserve Fund ...	.18†	.76	.20	.47	...	1·61
Total ...	16·53	28·78	11·91	24·05	3·63	84·90

As regards share capital, only nine societies in Bombay have become shareholders, though an opportunity was afforded to them to subscribe to shares if they wished to do so. In Madras, all the shares are held by individuals, and shareholding by societies is not contemplated in the by-laws. In the Central Provinces, too, practically all the shareholders are individuals, though some directors of Central Banks happen to hold shares. In Burma and Bihar, the number of individual shareholders is limited and the representatives of societies and Unions have a preponderating voting power both in the General Meeting and on the directorate.

The deposits in these banks consist partly of sums received direct from individual members or the public and partly of funds passed on by Central Banks and societies.

* Including debentures.

† Including sinking fund.

The amounts actually held from each of these sources on January 1st, 1915 were as shown below :—

Province.	DEPOSITS.	
	FROM INDIVIDUALS.	FROM SOCIETIES AND CENTRAL BANKS.
	Lakhs.	Lakhs.
Madras ...	... 20.89	2.45
Bombay ...	... 11.69	.82
Burma ...	... 20.60	.90
Bihar and Orissa ...	... 1.83	.14
Central Provinces ...	... 6.59	.71
Total	... 61.60	5.02

The loans have been taken from Presidency and Joint Stock Banks and represent the portion owed on 1st January 1915 of cash credits which these banks have granted. The Banks of Madras and Mandalay and the Provincial Bank of Bihar have been granted cash credits of 5, 1 and 4 lakhs respectively by Presidency Banks. The Provincial Bank of the Central Provinces has been granted a cash credit of ten lakhs and the Bank of Mandalay one of thirty thousand rupees by Joint-Stock Banks.

The amount of liquid assets held by these banks is as follows :—

	Cash.	Government paper.	Other securities.	Undrawn cash credits.
Madras ...	... '13	1.40	.76	2.31
Bombay ...	... '12	.09*	...	...
Burma ...	... ...	2.84	...	.83
Bihar ...	... ...	...	...	.287
Central Provinces ...	... ...	'30	...	8.51

* Debenture Sinking Fund.

VI. The Proposed Provincial Co-operative Bank for Bengal.—

At the sixth Bengal Provincial Co-operative Conference a well-thought-out scheme for the creation of a Provincial Co-operative Bank was carefully elaborated by the Hon'ble Mr. J. H. Kerr. He pointed out one great obstacle to the further expansion of the movement viz., that, generally speaking, the village societies in the area covered by each Central Bank all wanted to draw their money and to repay their money at the same time, and there was consequently a slack season of the year when the Central Banks, which finance the village societies, found it difficult to utilize their capital profitably ; the only remedy for that was to give them access to a wider market, and it was one of the advantages of the Provincial Bank that it would provide for that difficulty. The following is a brief outline of the proposed scheme for a Provincial Co-operative Bank for Bengal—

It will consist partly of preference shareholders and partly of the Central Banks, who will occupy the position of ordinary shareholders. The Provincial Bank will lend only to its ordinary shareholders, but the preference share-holders will rank above the ordinary share-holders in the matter of dividends. Half the Bank's shares will be preference shares and half will be ordinary shares. The preference shares will be fully paid up, and the preference share-holders will have the first claim on the profits, after 25 per cent has been set aside for the Reserve Fund in accordance with the Co-operative Societies Act and will be entitled to a dividend up to 6 per cent. Thereafter the ordinary share-holders will be entitled to a dividend up to the same amount, and finally any balance remaining will be devoted to raising the dividend on all shares equally up to a maximum of $7\frac{1}{2}$ per cent. Any surplus will be devoted to the general purposes of the Bank. The Bank will have power to accept deposits and to issue debentures so far as is necessary for the purposes

of its work, up to a maximum of ten times its subscribed capital.

The reasons for keeping the scheme in abeyance for the present are thus set forth by the Registrar of Co-operative Societies, Bengal, in his Report for 1915-16:—

"The question of the inauguration of a provincial bank for Bengal came up for consideration again this year, and it was decided after mature deliberation that the proposal should, for the present, be kept in abeyance. In the first place, the time is hardly opportune for placing the scheme on the market; secondly, the difficulties which were experienced in financing the central banks at the early stage of their existence, which led me first to put forward the proposal in 1914, have disappeared. The majority of the central banks at present find no difficulty in raising their requirements locally. The question with regard to most of them is how to employ profitably their idle money during the slack season. There is scope for a small provincial bank, but although it has been found possible to start such banks on a small scale in Bankipore and Jubbulpore, to do so in Calcutta, where it will have to face the competition of well-established joint-stock banks, is a different question altogether. It is doubtful also whether a provincial bank on a small scale will be able to solve the problem of idle money in central banks. We must wait till the requirements of the local central banks outgrow the local sources of supply, and till we are in a position to face the Calcutta money market with a more solid combination of co-operative societies. The Committee on Co-operation have recommended that the fluid resource of the movement should be concentrated in the provincial bank. The fluid resource will undoubtedly be more effective if it is maintained at the apex of the movement, and in this way a provincial bank for Bengal will be very useful. Every central bank is now trying to build up a fluid

resource and I have no desire to embarrass the central banks by superimposing on them a higher organisation just when they are emerging from boyhood to adolescence and feeling all the strength of youth in them."

VII. The Proposed Provincial Co-operative Bank for the United Provinces.—

The subject of a Provincial Bank which has been engaging the attention of all the District and Central Banks in the United Provinces for the last two or three years came up for discussion at the eighth Provincial Co-operative Conference held at Lucknow. There is a unanimity of opinion as to the indispensable need which exists for such an organisation and it is admitted that the function of the bank should be that of a balancing institution as well as of a financing organisation. But opinion is divided on the question of a State guarantee: some consider it to be essentially necessary for the success of the scheme: others, who are in the majority, think that when the existing District and Central Banks can raise enough money without guarantee, the Provincial Bank, being undoubtedly in a much stronger position, would be in less need of such a guarantee. The whole question is now being examined by the U. P. Government in the light of the discussion at the Conference. The following remarks on the subject in Sir James Meston's presidential address at the said conference are worth quoting in this connection—

"The provincial bank is to my mind an institution which carries with it the greatest possible hope. It has its dangers, but those dangers, I am sure, are capable of being circumvented. It will fulfil two very necessary functions in your organisation. In the first place it will equalise the use of your funds. It will prevent money lying stagnant at one time of the year and being at a fabulous price at other seasons. It will avoid one central or district society having a great

deal more money than it wants and others starving at the same time. That is one function. The other function is that the provincial bank will in time absorb capital which is at present doing no good to the country. I do not speak of the capital of the village money-lender. Your local societies are trying to annex that. But I am thinking more of the capital in the hands of wealthy gentlemen who do not know how to put it to the best use. I would like to see it put into industries, agriculture and half a dozen excellent things. But there is plenty of money to go round and what the provincial co-operative bank is going to do is, I hope, in time, to get a substantial share of the money that is at present squandered in litigation and various other ways and employ that money for the strengthening of the agricultural population and for the infinite welfare of this country."

The following opinions and recommendations of the MacLagan Committee on the subject of Provincial Co-operative Banks demand careful attention—

It is necessary that a Provincial Bank should be started in each of the major provinces.

The Provincial Banks should not be started on an extravagant or unnecessarily large scale.

Share capital *plus* surplus assets fund should not be less than one-tenth of total funds borrowed from outside.

Societies and Central Banks should be represented in the management of a Provincial Bank and should be placed in such a position that they are able within a reasonable time to secure a majority of votes in the general meeting. At commencement individual shareholders may have a preponderating influence.

It is not, however, necessary that societies and Central Banks should have a dominating voice on the Directorate of the Provincial Bank.

Shares should ordinarily be of one class. Reserve liability is not advisable on individual shares but is unobjectionable on societies' shares.

All Central Banks should be affiliated to Provincial Banks, but where there is no Central Bank a Provincial Bank may lend direct to primaries.

Deposits fixed for longest possible terms should be secured.

Deposits at call should be covered to 75 per cent of their amount by fluid resources.

No prohibition should be placed on savings deposit accounts.

Provincial Banks should not place too much reliance on cash credits, and should strive to accumulate good reserves and strong holdings of liquid securities in order to be more independent.

The Provincial Bank should maintain a fluid resource sufficient to cover all possible demands against itself for a period of one-third of the ensuing year together with all the possible liabilities to be met by any affiliated Central Banks for which it has undertaken to provide within the same period. For this service to Central Banks it should charge a commission or higher rate of interest. It will be found convenient to concentrate the whole fluid resource at the apex of the system.

Provincial Banks should be prohibited from undertaking outside banking business, except in so far as it is necessary to deposit spare funds for short periods in outside institutions.

A Provincial Bank may legitimately be reluctant to lend its superfluous funds to another Provincial Bank unless the borrowing bank has sufficiently proved its credit-worthiness, and the lending bank is able itself to examine and verify the financial position of the borrower.

A separate audit of the accounts by a Chartered or Incorporated Accountant authorised by the Registrar is desirable. The whole expense of it should be borne by the Bank. Further duties of supervision and enquiry appertain to Registrar and cost is debitible to Government.

Provincial Banks should submit the same returns as Central Banks; and should be supplied by the Registrar with copies of all returns received from affiliated Central Banks. They should publish and distribute to shareholders and depositors annual balance sheets and reports.

CHAPTER XVIII.

NON-CO-OPERATIVE AGRICULTURAL BANKS *vs.* CO-OPERATIVE CREDIT INSTITUTIONS.

In an article in the first number of the *Indian Journal of Economics* the Hon'ble Mr. D. E. Wacha advocates the establishment of agricultural banks with a certain amount of state assistance, and asserts that they alone can solve the problem of agricultural indebtedness. The writer's conviction is that no possible "number of credit co-operative societies of the character now instituted . . . would be of any avail, if it really be our aim and object, once for all, to relieve agricultural indebtedness." As a signal proof of the ability of banks to wipe out agricultural indebtedness the history of the Agricultural Bank of Egypt is narrated and is mainly relied on. Pronouncements coming from such a veteran publicist as Mr. Wacha deserve to be respectfully and soberly considered and to be widely discussed.

Mr. Wacha observes in one place that it is not the object of his paper to criticise the merits and demerits, whatever they may be, of the "new-fangled" co-operative societies. But evidently he holds them in small respect and prophesies boldly that "their constitution, the method and manner of their working and the new control and grip which the Government are going to have over them, all these must eventually toll their death-knell". According to him the same fate that has befallen the *takavi* advances and the efforts to relieve the Deccan agriculturist is bound to overtake the agricultural credit societies.

In order to make up one's mind about Mr. Wacha's proposal one has to consider whether the history of agricultural banks

shows that they alone can so materially reduce agricultural indebtedness as to make co-operative banks superfluous. One must inquire further into the measure of success achieved by the Egyptian Bank and into the degree of resemblance between the Egyptian project and Mr. Wacha's idea. It may also be asked whether co-operative unions and central banks may not perform the same work as the proposed agricultural banks. Any difficulties in the way of starting and working these banks may be then examined. Lastly one should consider whether co-operation brings with it other economic, moral and political benefits which it would be unreasonable to expect from mere "agricultural banks."

A preliminary objection might be raised to the ideal put forward which is said to be "once and for all to relieve agricultural indebtedness." There is a rhythm pervading all economic affairs and no class can keep itself permanently out of debt—least of all the agricultural class with its liability to suffer from bad seasons and famines. The ideal set up is as practicable as the socialist ideal of equalization of property ; the truth being that the moment after fortunes have been arbitrarily equalized the process tending towards inequality of property will start again. To say that all agricultural debts can be removed is only a little less fallacious than to say that all debts could be abolished. The debtors, like the poor, are a class which we shall always have with us.

Let us first study the lessons to be derived from the history of "agricultural banks." The case of Egypt, which Mr. Wacha has emphasized, will be dealt with a little later ; but the history of agricultural banks is a long and instructive one, and not in any way confined to the small and late Egyptian experiment. A great many countries in the world have possessed not only individual agricultural banks but whole systems of them, but nowhere have they either abolished all agricultural indebtedness or made co-operative credit institutions

superfluous. A few examples will illustrate this statement. Germany possesses numerous agricultural banks. There are the Landschaften, *i.e.*, societies for lending money on farm mortgages, which have earned high praise. Mr. Herrick (late Governor of Ohio and Ambassador to France) says of them : "The Prussian Landschafts are generally recognized as nearly perfect with reference to organization and administration, while it is also believed that if their business methods were modernized and made less cumbersome, they would be the best institutions in Europe for according long time credit on large or small farms."* Besides the Landschafts there is a long array of other agricultural banks. There are the Land-credit banks which are institutions which aim at obtaining cheap money for all citizens who have good lands to offer as security. There are the Land-improvement annuity banks to lend money for land improvement projects. Fourthly, there are the general commissions and rent charge banks with the object of lending money for creating homesteads for small holders. Nor does this exhaust the classes of agricultural banks in Germany. The Savings banks, the Insurance institutions and smaller land-credit banks offer these services to the agriculturists by buying up his mortgages. All these institutions cater for the agriculturists, and each class is adapted to the requirements of a different class of cultivators and to meet some special need of the agricultural community. Yet has this formidable array of institutions wiped out agricultural debts or hindered the growth of co-operative institutions ? Far from it ; Germany has carried rural co-operative organization to the highest pitch, and there are more than 17,000 co-operative societies in that country. Professor Pope tells us that "in Germany the greater part of the personal credit of the owners of small and

* "Rural Credits" by M. T. Herrick, p. 225.

medium sized farms is furnished by the Raiffeisen co-operative banks".*

There is no intention here of denying the great services rendered to Germany and Austria by the "provincial banks" of these countries. But it should be noted, in the first place, that these banks are state-owned and do not aim at profits; in the second place, they do not compete with co-operative institutions but merely *supplement* them. The co-operative banks furnish personal or short-time credit, while the "provincial banks" grant mortgage credit or long-time credit mostly for financing land reclamation or improvement projects.

France too has tried the experiment of agricultural banks for more than half a century. It has worked on a highly centralised system and has endowed the Credit Foncier with important privileges including the powers of sequestration and expropriation. But this appreciation of agricultural banks has not prevented France from throwing itself vigorously into the movement for co-operative credit, and its experience in co-operation has furnished valuable lessons to the world. At first France tried its usual policy of centralization in the co-operative organization, but it proved a failure. "Since then decentralization has been recognized as the true principle, and the systems since formed for independent farmers capable of taking care of themselves have been constructed on the idea of *building up from the ground and creating credit facilities at the very door of the farm homes.*" Another authority—Mr. Morman—observes to the same effect: "Formerly the idea prevailed among French statesmen that agricultural credit could only be established by the formation of a great central bank from which credit would flow out to all the local credit centres. But when

* Pope: "Agricultural Credit" Q. J. E. xxxvi. p. 728.

the Government of France finally took up in earnest the question of agricultural credit it was planned on an entirely different principle. It was decided that *rural credit should begin with the lowest group ; that the agricultural co-operative society should form its own credit bank which should grow up from its own activity.** (The italics are ours). The second lesson which France has to teach is that lavish state help is only a burden to the co-operative organization. There are two systems of co-operative credit banks in France—those receiving direct aid from the Government and those working with their own capital—and, of the two, the latter class has proved far the more successful. As Mr. Herrick observes, “state aid which has been so lavishly extended in France has registered a conspicuous failure.” The salvation of the agricultural community is not to be achieved by outsiders.

Italy also has organized a system of excellent agricultural banks, yet it is there that Luzzatti originated a new type of people's bank, while Wollemborg implanted a new system of rural credits especially adapted to Italian conditions. Italy possesses more than 2,000 co-operative banks organized on the Raiffeisen system. In Austria-Hungary, in Russia, in Roumania and indeed in all continental countries there exist both “agricultural” and co-operative banks—the latter a more recent and progressive growth in each case. Japanese conditions might well be of particular interest to India. Japan has no lack of agricultural banks—there is a central land-credit bank, besides 46 local banks, and there are, besides, regional agricultural banks for Saghalien, Formosa and Korea. This great growth of agricultural banks has not, however, enabled Japan to do without the modern co-operative societies. That country had, indeed, in the Hotokusha an older form of co-operation. But since 1909 Japan has

* Morman “Principles of Rural Credits” p. 43.

introduced co-operation of the European kind. In three years it had achieved wonderful progress, for in 1912 there were 9,349 co-operative societies with one million members and thirty federations. In Japan co-operative societies are of four classes—credit, purchase, production and sale. The scale of their operations can be judged from the fact that the three sales-societies in the silk-producing areas had total sales amounting in 1914 to over 70,00,000 rupees. Prof. Hamilton observes that "there is sure to be a development of co-operation in Japan which will be of the highest interest to those who believe in co-operation for India and are striving to encourage its growth".

The whole history of agricultural banks thus shows that the demand for loans is much larger than can be met by non-co-operative agricultural banks. There is a limit to the influx of outside loan-fund or floating capital which can be attracted into the field of agriculture. There is a proportion naturally fixed—we may call it an equilibrium—between the capital employed in agriculture and the capital otherwise employed and it is not possible very greatly to increase the former at the expense of the latter. An excellent illustration of this is supplied by Prof. Pope, whom we quoted above, who remarks that "in Europe, despite the favouring conditions, the farm debenture bond finds a market with difficulty owing to the competition of other securities, *i.e.*, the agricultural banks cannot attract capital owing to the competition of industries." So also the Director of the Landschaft of Halle writes that "the development of industry has produced a condition whereby these bonds are not as generally acceptable as before . . . At the present time, therefore, there is greater difficulty than before in placing the bonds". Thus we see that the supply of capital in the hands of agricultural banks falls very much short of the demand, and the wiping out of all agricultural indebtedness by these banks is quite out of the question.

We now come to consider the Egyptian experiment with an agricultural bank on which Mr. Wacha relies so much. Looking up the Administration Reports of Egypt and Sudan, we find that even the Egyptian officials and administrators claim only a moderate and modified measure of success for the Agricultural Bank of Egypt. Thus we read in the report of 1902 : "When I say that *a certain degree of success has been attained in Egypt*, I really mean that, under the new system, it is clear that the fellahin are anxious to borrow, and that arrangement for advances and recoveries has worked well. Before it can be said that the system has been completely successful, it has to be shown that the fellahin are not, generally, *making use of their improved credit to contract fresh debt at ruinous rates of interest*." (The italics are ours). Complaints also appear in the Report of 1899 that "the 10 per cent. interest charged is too high a rate of interest to charge, as the fellahin can often obtain loans at that rate from the local money-lenders."

The system of lending by the Agricultural Bank of Egypt has also the disadvantage, noticed by Mr. Wolff, that "it precludes control of the borrowing, which in a country like Egypt is desirable for the borrowers' own sake".* Some of the money lent without such control is no doubt wasted. It is only under the co-operative system of credit that a good part of the money borrowed by the fellahin is not likely to be put to non-productive uses. In his work called "La Situation Economique et financiere de l' Egypte", Prof. Arminion of the Khedivial Law College asks : "For what then does all this enormous capital distributed by the Agricultural Bank of Egypt serve ? Too often it is used for purposes of no advantage to agriculture, for example, for some festival, or to relieve a young man from doing military service". We read

* Wolff : "People's Banks," p. 498.

further on the same subject : "The financial Council of the Bank recognises that the difficulty that the debtors experience in fulfilling their engagements, depends in too large a number of cases, upon the improvident use they make of the money lent. The practical conclusion from the observation would be only to grant loans on condition of their being invested in a remunerative manner. But it is evident that a bank cannot proceed to verify the use that 250,000 customers make of the capital they borrow. It is perhaps possible to find a solution in the constitution of co-operative credit societies to act as intermediaries between the Bank and the farmers ; their guarantee would preserve the Bank from all risks of loss and on the other hand they would contribute to attain the end of not giving any loan which would not benefit the farmer. In fact M. Arminion and many other competent persons observe, such an office might be perfectly discharged by the board of management of a co-operative society, the member of which, while bound by their joint and several liability, know one another and can control each other."*

But has the agricultural Bank of Egypt succeeded in wiping off the debts of the fellahs ? By no means. "By its own unaided efforts, certainly, the Agricultural Bank of Egypt cannot provide for the needs of all the peasant farmers, the number of whom is extraordinarily large." Irrefutable proof is given of the heavy rural indebtedness still existing in Egypt by no less an authority than Lord Kitchener in the Report of the Finances and Administration of Egypt in 1913. He had wisely appointed a commission to compile an accurate return of the debts of the poor fellahs, and on the basis of that report he speaks of the "appalling weight of the debt to be borne by the poorest class of cultivators of the soil in the country." So much for the claim that "a beneficent change

*Bulletin of Economic and Social Intelligence, Rome : 1912, March pp. 166-67.

has come over the fellahs since the bank opened its doors."

Secondly, has the success of the Agricultural Bank of Egypt been such as to make co-operative credit institutions unnecessary? The answer is again in the negative. As Mr. Wolff puts it, "the demand (for loans) has outgrown the capacity of supply of the Agricultural Bank". By 1910 the first co-operative society was founded in Egypt. Even in the absence of the legislation for facilitating the formation of such societies the movement has spread, and in 1912 there were nine co-operative societies. These beginnings of co-operation were appreciated by the greatest of Egyptian rulers—Lord Kitchener—who gave the movement his official benediction in the Administrative Report of 1913. He observed : "The possibility of successfully working such (co-operative) system in Egypt and *the advantages to be obtained by it have been demonstrated by experiments* in several villages throughout the country. The creation of a Ministry of Agriculture has greatly facilitated the development of village syndicates, as the new Ministry will be able to supervise and assist the agricultural operations which the co-operative societies will undertake in the villages. Undoubtedly the principal factor on which their success will depend will be the degree of facility with which they are able to obtain advances of money at cheap rates. Such rates can only be obtained by establishing syndicates on the legal basis of registered civil companies, and by placing their finances under the supervision of the Finance Ministry. As soon as legislation on these lines has been enacted we may hope to see a *considerable development of the application of the co-operative principle* to agricultural life in the villages. The help thus afforded to the smaller cultivator will be of great value as soon as the direction of the village syndicates has been rendered thoroughly reliable both as regards its operation and its finances."

Indeed the official opinion in Egypt seems now to have veered round completely on the side of co-operative credit institutions. In his note on the Budget of 1913 the Egyptian Financial Adviser remarked : "The best guarantees for the proper limitation and employment of agricultural credit are those provided by the co-operative system"; and Lord Kitchener observed that he was "entirely in agreement with his adviser". *That after nearly twenty years of experiments with State-loans and agricultural banks, the Egyptian Government should decide so whole-heartedly in favour of co-operative banks is a signal triumph for the advocates of co-operation.*

But even had the Agricultural Bank of Egypt achieved far greater success, that would not have made out Mr. Wacha's case. The two schemes are widely different. Mr. Wacha wants Indian capitalists to take their courage in both hands, and start provincial banks which are to be private enterprises. But "the Agricultural Bank of Egypt* * * is supported and controlled by the State. About one-third of its share are owned by the National Bank which stands in close relation with the Government."* This is not Mr. Wacha's aim who says, in the spirit of a bold and self-reliant individualism, which does him great credit, "private enterprise alone is needed". Moreover, the Agricultural Bank of Egypt was founded by European capitalists, whereas Mr. Wacha relies on his provincial banks to work with local capital. Thus the two schemes are radically different, and no inference can be drawn from the fortunes of the one to the prospects of the other.

Coming to the next stage of our argument it may be urged that everything that is useful in the "agricultural bank" scheme is already to be found in the co-operative credit system, which, through its central and provincial banks, can draw what capital is necessary from outside sources. Moreover, the co-operative

*Herrick : "Rural Credits" p. 188.

central banks can offer better security to the lender ; for while the "agricultural banks" are only backed up by the proposed Government guarantee, the co-operative central banks have not only a similar Government guarantee behind them but also the joint liability of the local banks and their members. A very good example of this is found in the co-operative system of Italy. In 1913, "the capital and reserves of the Italian co-operative banks totalled \$600,000. The deposits amounted to about \$20,000,000 most of which came from outsiders". (Herrick) In Prussia about a third of the money at the disposal of the co-operative banks is borrowed from non-members, and in India more than half the capital of the central co-operative banks is obtained thus. But the co-operative banks have got other resources. While utilizing outside funds so far as necessary, the co-operative system stimulates thrift and thus creates new capital which did not exist before. The "agricultural banks" can only *transfer* existing capital, but the co-operative banks *create* new capital by awakening the thirst of agricultural classes. If the saving power of the vast agricultural masses is not thus stimulated, it would need a vast transfer of non-agricultural capital to agricultural purposes in order to reduce sensibly the load of agricultural indebtedness. Since Egypt requires many millions even to make some impression on its debts, India will require many times larger sums to shake off its much larger incubus. The proposal for starting "agricultural banks" has besides been brought forward at a particularly unpropitious time. After the present war India will have to rely mainly on its own resources for its ordinary supply of capital and the amount of local capital will fall very far short even of the usual demand. To require it further to attack the stupendous problem of agricultural indebtedness seems to be a hopeless enterprise. How many millions, does any one think, can for some years to come, be raised in India by an offer of a 3 per cent. guarantee?

Those who talk of such a stupendous extension of banking in India as to take over in a few years all agricultural debts are underrating seriously the manifold difficulties in the way of the extension of banking. The history of banking shows that healthy financial development is necessarily slow. India has very recently had an experience of the results of too rapid a growth of banking. The capital and debenture bonds of the proposed agricultural banks would require many millions, not to speak of the great development of financial talent and business honesty needed for the safe progress of such an enterprise. An unprecedented growth of banking ability and resources would thus be required from a backward and conservative country. It is only a heroic assumption that the *Mahajans* would, on the formation of such banks, turn over all their capital to them. On the other hand, so far as possible the local co-operative banks and unions are beginning the work of annexing both the *Mahajan's* capital and local boards. They have greater facilities for the task, as, naturally, local concerns and enterprises can attract local capital with greater facility than distant provincial enterprises.

Some of the difficulties in the way of non-co-operative agricultural banks may now be considered. Mr. Wacha proposes that Indian capitalists should start an agricultural bank in each province. To this it may be objected that the provincial banks so started will be too distant from cultivators and will have great difficulty in judging whether particular cultivators or schemes deserve to be encouraged by grants of loans. Even co-operative banks have failed to produce the maximum good of which they are capable when they have assumed to deal with large districts, as has happened in Russia. Banks conducting operations in large districts cannot possess a proper knowledge of their clientele.

Difficulties will also be encountered by the agricultural banks owing to the number and complexity of the land tenures

of India. In some parts of India the land virtually belongs to the cultivator, in other parts he is a mere tenant, in still other cases he is only one member of a large proprietary body. Thus the security for the loans of the agricultural banks will differ immensely in value, amounting in some cases to the whole value of the farm, in other cases to mere nothing, and the loan system will have to be administered in the midst of a wide variety of circumstances, while the system will not possess that adaptability to circumstances which co-operation can show.

And here a protest may be registered against Mr. Wacha's proposal to employ the tax-gatherer to collect the interest or the principal of the loans made by the agricultural banks. As Sir Frederick Nicholson says, "it would develop, in a high degree, the habit of attempting to overreach and defraud that entity vaguely known as 'Government', which is usually credited with unlimited means and with the ability to overlook individual debts ; it would add the odium of bailiff to that of the tax-collector—*odio vectigali odium fenebre*". The state will not increase its popularity by constantly and increasingly appearing in the guise of a creditor. But, above all, for the tax-gatherer to be constantly liquidating the debts of cultivators under the threat of attachment is to place the agricultural community in a quasi-insolvent status annually and to declare it unfit for ever to manage its own business affairs. To be thus kept perpetually in *statu pupillari* is sure to have a degrading effect.

Besides helping to alleviate the burden of agricultural indebtedness, co-operative credit institutions offer important collateral advantages both to agriculture and industry which are entirely outside the range and programme of "agricultural banks". On these collateral benefits Mr. Herrick observes : "The only difference which can exist between the interest rates of a co-operative credit society and an ordinary bank

comes from the economies effected in the former by not paying large salaries or sharing profit with outside stock-holders or third parties. . . . Besides the reduction of interest rate on loans resulting from the saving of expenses, it offers, other advantages of a more important character by acting as the business head or financial centre of all activities in the neighbourhood. It either makes collective purchases or sales for members, as in the case of the Raiffeisen credit societies, and thus enables them to obtain supplies at wholesale prices and to dispose of their products without paying commissions to middlemen ; or else, as in the case of French syndicalism, the credit association or its members form other associations connected with it for these purposes." He might have added that genuine co-operative banks possess a vital principle which alone could have brought about that wonderful adaptability to the very diverse local circumstances all over the world which co-operation has shown for several decades. It has also shown its power not only to help agriculturists but to serve the varied needs of many other classes. There are co-operative non-credit societies helping industry and trade in numerous ways. There are, on the basis of co-operation, sale societies, insurance societies, irrigation societies, dairy societies, employees' societies, societies for mill-hands and other varieties almost innumerable. Surely the "agricultural banks" can never even aspire to serve all these classes and their needs.

Nor can agricultural banks bring with them that moral, educational and even political progress which has followed in the wake of co-operation. Its value as a teacher of morality is best seen from what happened in the case of Switzerland. "Necessity did not bring co-operative credit into being in Switzerland. It was started because of its moral effect in teaching farmers to be their own bankers and to be mutually responsible for one another." About its merits from the political point of view, H. E. Lord Carmichael has observed : "In

future these societies will take the place of the old village institutions which once existed in India, and I am sure I am right in thinking that if they do so, there will be a great change for the better in the administration of the country." So also such a distinguished administrator as the Hon'ble Mr. P. C. Lyon has remarked : "It is recognized now on all sides that a successful village society means a far step forward in education and local self-government in its most attractive form." These wise statesmen have discerned that decentralisation and federation are the watchwords of the world-politics of the future and that local, central and provincial co-operative societies afford excellent discipline on both lines. The body-politic like the healthy natural body should consist of healthy cells, and co-operative work serves as a tonic to the village-systems, which are the cells of which a country is composed.

It is hardly right to call co-operative societies "newfangled societies" There is enough material, indeed, for a monograph on the antiquities of co-operative credit. In India forms of mutual credit and co-operation have existed for centuries. Russia had its artels and other forms of co-operation. The South-Slavs especially the Croats had such societies for ages past. Austria possessed co-operative dairies even in the Middle Ages. The annals of Japan, Sweden and Switzerland show the same co-operative tendencies. Thus, the usage of centuries has shown the importance of co-operative credit.

We may sum up our argument thus—the history of agricultural banks does not show either that they can wipe out agricultural indebtedness or make co-operative credit institutions superfluous. Secondly, Mr. Wacha's scheme is not on all fours with the Egyptian plan and such success as the latter has attained cannot be cited in favour of the former. Indeed the Egyptian Government has itself been converted to the cult of co-operation. Thirdly, that provincial co-operative banks and unions are already working to secure the necessary outside

capital for the agricultural class and that the establishment of another set of provincial agricultural banks is superfluous. Fourthly, it is very doubtful whether under the present circumstances and in the absence of a stimulation of thrift through the spread of co-operation, an extension of banking can take place large enough to reduce sensibly the agricultural indebtedness in India. Lastly, "agricultural" banks lack the vital principle of co-operative banks, which renders the latter such excellent institutions for conferring economic, moral, educational and even political advantages. Non-co-operative agricultural banks may to a certain extent supplement, but they can never supplant, co-operative credit institutions.

CHAPTER XIX.

CO-OPERATION AND PUBLIC AID.

Privileges of Co-operative Societies.—

The following is a list of the special privileges conceded to Co-operative Societies registered under Act II, of 1912.

1. Free annual audit by the staff of the Registrar.
2. Prior claim over other creditors to enforce recovery of the Society's demands in certain cases.
3. Shares or interest of members not liable to attachment by a Court of Justice.
4. Copies of accounts, certified by any officer of the Society, admissible as evidence in Courts.
5. Exemption from Income Tax.
6. Exemption from Stamp Duty.
7. Exemption from fees payable under the Registration Act.
8. Exclusive use of the term 'Co-operative'.
9. Remittance Transfer Receipts obtainable at par for remittance between Societies or branches of Societies.
10. Refund of money order commission on remittances by postal money orders between societies and their financing agents or wholesale purveyors.
11. (In Bombay) Exemption from the Deccan Agriculturists Relief Act except from Sections 2 and 21.
12. Postal Savings Bank facilities (in Bombay).—
 - (a) Societies may open public accounts.
 - (b) Head and Sub-post-masters may open such accounts at once in anticipation of sanction.
 - (c) Societies may withdraw sums up to Rs. 3,000 from their accounts on 3 days' notice at all head-quarter post offices and on 7 days' notice from other post offices and sums up to Rs. 10,000 from all post offices on 10 days' notice.

13. (In Bombay) Takavi advances obtainable by members of Societies through their societies.

14. (In Bombay) deposit of strong boxes in Government Treasuries in certain cases.

Existing Rules regarding participation of Government Servants in the Co-operative movement.—

The general rules of Government regulating the conduct of its servants in relation to Co-operative Societies are fairly elastic. In general any Government Servant may take shares or make deposits in a co-operative institution except in case of (1) members of the Indian Civil Service who may only do so outside their own province and (2) members of the Provincial and Subordinate Civil Services who may do so with special permission, but may be precluded from serving in the district in which their investment has been made. Local Governments are at liberty to modify these rules and have in some instances availed themselves of this power. In Burma, for instance, any Government Servant may take shares or make deposits in the Provincial Bank, and in Madras, the Central Provinces, and Bihar and Orissa, there are no restrictions on investments or deposits in Central Banks or the Provincial Bank.

Circumstances differ in different tracts and some diversity of practice may be permitted. If provision is made to minimize undue official influence, the movement should not be deprived of the moral and financial support which Government servants give it. In Europe there are few or no restrictions on the dealings of Government servants with Co-operative Societies, and if precautions are taken to see that all proceedings are public and that societies are thoroughly supervised, the need for special restrictions is greatly diminished. Tested by these considerations the existing rules appear on the whole to be well devised.

The relation of District officers to the movement.—

In their Resolution of April 29th, 1904, the Government of India laid down that while the immediate charge of societies once started should devolve on the Registrar, District Officers should help in initiating the movement, and after societies had been formed, should give them their active sympathy and support. In their Resolution of 1914, again, they pointed out in some detail that while it was no part of the duty of a District Officer to intervene in the internal administration of societies, it was important that he should recognise that they constituted a new factor in the administration which could not be disregarded, and that it was his business to keep in the closest touch with them, allowing them neither to languish for want of sympathy or develop in undesirable directions through want of vigilance. A similar line was taken by the Bengal Government in a circular issued in August 1911, in which it was stated that, while the Collector should not inspect or control or personally organize societies, he should acquire knowledge of the movement and evince his willingness to help it forward, more particularly in such matters as the recruitment of Honorary Organizers. The instructions thus given as regards the general attitude of the District Officer to co-operation are in the opinion of the Maclagan Committee, clear and consistent, and they express their entire agreement with them.

Public deposits.—

"The shares and deposits of co-operative institutions are not at present Trust securities. When, therefore, the investment of money belonging to the Court of Wards is limited by the law to Trust securities it is impossible to invest such money in co-operative institutions. But the existence of such a limitation would not, it is presumed, prevent the use of Court of Wards funds for assisting societies constituted

for the benefit of the Wards' estate or its tenantry. Grants by private individuals or local bodies are also not inappropriate in the case of new developments like dairies, cattle breeding societies, etc.—“so long as any undue pauperization of societies is avoided”.

Agricultural Advances through or to societies.—

There has been considerable discussion from time to time as to the relation of societies towards the agricultural loans made by Government under Act XII of 1884 to owners and occupiers of agricultural land for agricultural purposes, such as the purchase of seed and cattle. As the class of men who borrow from co-operative societies and the objects for which they borrow are practically the same as those contemplated by the Act of 1884, it has been suggested that the services of these societies should be utilized in the distribution of these loans ; for the distribution of loans through societies would enable Government to utilize the local knowledge of the societies and to benefit from the additional security which they afford, while it would save the borrowers from the delays and vexations attendant on the direct receipt of loans from the Government treasuries.

There are many who would go a step further and provide for loans being made not merely through the society, but to the society. It is argued that unless the disposal of the loan (subject to its employment for the objects specified in the Act) is left to the society, the Government fails to relieve itself of the enormous amount of time and trouble expended in the clerical work connected with the grant and recovery of loans ; that if left to the society for distribution the loans will be far more efficaciously distributed ; and that if recovery is effected by the society it will be managed with far more regard to individual circumstances than is ever possible when recovery is left to Government agency. The

only serious objection which has been brought against the scheme is that societies would be tempted to obtain large additions to their capital at the expense of the State instead of relying on their own exertions or those of their financing agencies. We believe, however, that if such grants are given after approval by the Registrar or some officer authorized by him, there is little fear of any such misuse of the system. We should not in any case suggest that the system should apply to isolated applications by members for loans, as these can be met by the societies themselves or can, subject to our suggestions below, be dealt with direct by the Government officers. The grant of Government Agricultural loans to societies should be confined to occasions when these loans are being distributed wholesale, as in the case of severe scarcity or in that of a scheme of new colonization on waste lands. The grants made under these circumstances to societies could no doubt be made by Government under ordinary executive order and could be recovered under the provisions of section 44 of the Co-operative Societies Act. But the natural course would be to make them under the Agriculturists Loans Act of 1884 and as a co-operative society is not qualified to receive loans under that Act a small amendment in the Act would then have to be undertaken. It seems to us important to emphasize the fact that these loans are not to be looked on as advances for fostering a new form of organization, but are part of the ordinary routine of administration, involving no change of policy or procedure except to the extent of substituting the agency of co-operative societies for that of Government officials. We would therefore recommend the addition of a section to Act XII of 1884 so as to allow of the making of rules as to loans to be made to co-operative societies registered under Act II of 1912 for the purposes specified in the Act of 1884. (*MacLagan Committee's Report*).

Similar arguments apply to Land Improvement loans which can suitably be given to societies when an improvement has to be made by the joint exertions of several peasants.

Considerations governing financing of members during famines.—

Since its inception the co-operative movement has not been subjected to the severe strain of a great famine. The Maclagan Committee believe that if fluid resources have been accumulated in sufficient quantities and if Agricultural loans are freely granted to the societies in the manner they have recommended, the situation will be satisfactorily met. They go on to observe —

The chief difficulty in all famines will lie in the judicious management of loans and recoveries after the main stress is over. For some little time after the scarcity has been at its height, members will apply for larger loans than usual and will at the same time be less able than usual to repay what they already owe. It is for the society to bear in mind the inevitable recurrence of cycles of good and bad years, to be economical in the issue of loans in times of plenty, and to be still more economical in times of stress, but at the same time to continue granting loans harvest after harvest till good times return, ignoring, if necessary, the preconceived limits based on valuations of the members' property and earnings, and finally to recover gradually but vigilantly all sums that a prudent money-lender would recover, without allowing the borrower to misuse on unnecessary objects the savings which he should refund to the society. In some parts of the country which are particularly liable to famine the existence of seasonal cycles is well recognized and is the basis of all private money-lending and all economic development. In such areas the society and its depositors should from the beginning understand that the loans given out may have to be

extended and may have to be supplemented for further periods, reaching, it may be, to three, four or five years, but without any risk or doubt regarding ultimate repayments ; the peasants in such areas being known to be as a rule the hardiest of agriculturists and, if only time be given, the most honest of borrowers.

In Bombay and the Central Provinces there are small funds attached to the co-operative societies which are known as Famine Reserve funds. In Bombay this fund originated in a charitable donation by the Wadia Trustees, which was distributed among six small societies in famine tracts on their undertaking to add Rs. 20 each annually to their share. The money is kept in the Bombay Central Bank as a fixed deposit and may only be withdrawn in the event of a famine and with the Registrar's sanction. In the Central Provinces every Central Bank and primary society is required to contribute to the permanent and indivisible funds of the Provincial Union a sum amounting to 25 per cent of the cost of the establishment, etc., maintained for it by the Union. This contribution is re-invested by the Union in the shares of the Central Bank which makes it, and the profits on such investment are separately invested as a Famine Insurance fund and may be only used for the support of the Provincial Bank with the Registrar's sanction and in time of famine.

The sums now at the credit of the infant Reserve funds are at present of no particular importance. As safeguards against famine, in the ordinary sense of the term, these funds are at present of no appreciable value and the Maclagan committee hold that famines should be met by co-operative institutions out of their own ordinary credit built up in the manner recommended by them in their Report and without the constitution of special funds of this character.

Financial aid by Government.—

Unlike most European Governments, the Government of India have hitherto closely adhered to the principle that it should abstain from giving direct financial aid to the movement. From this attitude, however, it has admitted of departure on three different occasions. It has allowed itself to make initial advances to encourage the establishment of new societies. It has in the case of one Provincial Bank (the Central Bank of Bombay) agreed to guarantee interest on debentures issued. And it has lately in two provinces made special advances to meet difficulties caused by the war.

Apart from these three occasions the Government have never taken financial responsibility for the movement. But the connection of Government with co-operative banks and societies in the way of audit, supervision, and control is so close that there is a general impression among those interested, that Government could not afford to see the movement collapse and that the finances of banks and societies are to all intents and purposes backed by the State. In some cases the banks and even the Government officers connected with the movement have taken advantage of this impression. In others they have done what they could by precept and advertisement to counteract it. But the fact remains that the degree of ultimate responsibility attaching to Government is at present uncertain. In a circular, dated February 5, 1914, which dealt with agricultural grants, the Government of India expressed a wish that in cases where, owing to general scarcity, the funds of societies have become depleted, special reference should be made to them, but no further indication has been given as to the possibility of their coming to the assistance of societies or as to the principles upon which such assistance would be given. The attitude of the Government, therefore, is that it disclaims all financial responsibility and makes no definite promise of monetary support. This policy

is based on a desire to establish a genuine co-operative movement which shall be self-contained and self-supporting, and, in so far as it represents the rejection of a system of money doles or undue special concessions, it appears to be a correct and desirable policy. (*MacLagan Committee's Report*).

The success of this policy is well attested by the fact that the Indian co-operative movement has successfully faced a great banking crisis and the greatest war in history, and has convincingly demonstrated its inward vitality and strength. As Sir James Meston observed in the course of his presidential address at the Eighth U. P. Provincial Co-operative Conference—"all that was necessary was that we should come before the public and show that we have confidence in the Societies and that we were willing to step in and help them, if they really need help. As I say, the actual call upon that help was restricted to a very few banks. At the end of the year the total of new deposits actually exceeded the total withdrawals by a substantial amount, and the small sum which Government had advanced was repaid within a few months of its being paid. The societies were fully financed, and no investor was kept waiting for a single day after his deposit had matured."

Future relations of the Government towards the Co-operative Movement.

It is agreed on all sides that Government supervision would probably be always required, though the precise duties of the Registrar would probably undergo some modification. Subject to this reservation the Hon'ble Mr. Gourlay has expressed the opinion that the organisation of the societies for the purposes of inspection and audit should be such that the societies could eventually take over those duties and pay for themselves. The late Mr. Buchan agreed that the object to

be aimed at was that the societies should eventually assume responsibility for inspection and audit, but in the meantime he thought that the Government should be prepared to provide an adequate staff. The All-India Registrars' Conference of 1908 passed a resolution to the above effect, *viz.*—“that the time should be looked forward to when the societies should themselves pay for audit and inspection, but that until this could be arranged for, the Government should be prepared to provide such reasonable staff as might be necessary for the continuous development of the movement in the varying conditions of each province.”

It appears to us that the joint efforts of both officials and non-officials are and will be necessary for a good long time for the continuous and permanent success of the co-operative movement in India. The real solution of the situation lies not in the total withdrawal of Government control, but in the combination of a mixed agency of official and non-official workers whose harmonious working for a series of years may gradually lessen the degree of Government control, till such time when there will be, as H. E. Lord Carmichael has tersely put it, “a government of the societies by the members and for the members” and when “the initiative of the state” will be converted into “an active popular propaganda conducted by the people,” so that there will be a co-operative movement which will “stand alone without direct support from Government.”

CHAPTER XX.

THE LAW OF CO-OPERATION IN INDIA : THE CO-OPERATIVE SOCIETIES ACT : ACT NO. II OF 1912.

Passed by the Governor-General of India in Council.

(Received the assent of the Governor-General on the 1st March 1912.)

An Act to amend the Law relating to Co-operative Societies.

Whereas it is expedient further to facilitate the formation of Co-operative Societies for the promotion of thrift and self-help among agriculturists, artisans and persons of limited means, and for that purpose to amend the law relating to Co-operative Societies ; It is hereby enacted as follows :—

Preliminary.

- Short title and extent.**
1. 1) This Act may be called the Co-operative Societies Act, 1912 ; and
(2) It extends to the whole of British India.

The Act of 1904 was called the "Co-operative Credit Societies Act." The present Act is called the "Co-operative Societies Act". The reason is that the present Act applies not only to Credit Societies, but also to Co-operative Associations organized for purposes of distribution, production, cattle insurance, and the like, and this constitutes the chief change introduced by the new law.

While avoiding any precise definition of a Co-operative Society, the Act is not without indication of the class of Societies for which its provisions are primarily intended. The preamble, for instance, and the restrictions imposed by Sec. 5 on the extent of share-holding permissible to an individual member, will show the class of persons whom it is intended to benefit, and co-operators will also receive some guidance from the wording of Sec. 4 which requires Societies to be based on co-operative principles. The former Act contemplated only two classes of Societies *rural and urban*. The present Act abolishes the distinction and makes

provision for three kinds of societies not specifically mentioned in the old Act,—

- (a) In the first place it recognises the societies known as Unions or Central Banking Unions which are entirely composed of other Societies. Joint Societies of this character must, under the first proviso to Sec. 4, be ordinarily of limited liability, but they are not subject to the restrictions laid down in Sec. 5 as regards the limit of shares to be held by each member or to the requirements in the way of numbers or residence &c. which are prescribed in Sec. 6.
- (b) The Act further recognises the existence of such Central Societies as are composed partly of other societies and partly of individuals and although the shares of individual members in such Societies are restricted by Sec. 5., they stand in respect of Secs. 4 and 6 on the same footing as the unions described under (a) above.
- (c) Another type of Society, now definitely recognised, is the "Central Bank" or other Central Society, the members of which are individuals, but the main object of which is to benefit not its own members but other Societies of a co-operative character (Sec. 4), and it is considered reasonable that such a Society, though formed mainly on joint-stock lines should obtain as far as possible the privileges conferred by the Act on co-operative concerns.

Of the further changes made in the Act the more important are the following :—

1. The necessity for submitting proposed by-laws before registration and for obtaining registration of amendments in by-laws (sections 8 and 11).
2. The permission allowed to the Local Government to confer the powers of a Registrar on persons other than the Registrars (section 3) and to the Registrar to depute persons to conduct the work of audit, enquiry and inspection (sections 17, 35 and 37); the power granted to a Collector to depute persons to inspect records (section 21 of the old Act) being at the same time withdrawn.
3. The special evidential value attached to a certificate of registration (section 10) and registers or lists of member or shares (section 25).

4. The extension of the period of the prior claims of a society on agricultural produce from one year to eighteen months [section 19 (a)] and the inclusion of such claims on fodder and machinery supplied and on articles manufactured from material supplied [section 19 (b).]
5. The omission of the provision in section 21 of the old Act which prohibited the making of any charge for audit. (It may be noted that although the prohibition has been withdrawn the Government of India do not at present desire that any charges should be made except in the case of societies where professional audit of a fairly elaborate character is found necessary.)
6. The exemption under section 27 of share transfers and similar documents from compulsory registration.
7. The expansion of the field for the investment or deposit of funds (section 32).
8. The permission given by section 34 to devote a part of the profits of a society to charitable (including educational) purposes.
9. The power given to a creditor to move the Registrar to inspect the books of a society (section 36).
10. The power given to the Local Government to prescribe returns [section 43 (2), (i)] and the omission of the provision (section 27 (2) of the old Act) expressly empowering Local Governments to prescribe the rate of interest on deposits.
11. The permission given to Local Governments to delegate the power of hearing appeals against orders of dissolution (section 39) and of making rules [section 43 (3)].
12. The prohibition of the use of the word "Co-operative" in the title of future associations not registered under the Act. (section 47).

Definitions.

2. In this Act, unless there is anything repugnant in the subject or context,—

- (a) "by-laws" means the registered by-laws for the time being in force and includes a registered amendment of the by-laws ;

Every application to register a society shall be accompanied by a copy of the proposed by-laws [See Sec. 8 (3)], which must not be contrary to the provisions of the Act. See Sec. 9.

For amendment of by-laws. See Sec. 11.

A copy of the by-laws should be kept in the office of the Registered Society for inspection free of charge by the members or non-members. See Sec. 16.

The Local Government may make rules under Sec. 43 (c) prescribing the matters in respect of which a Society may make by-laws and laying down procedure for amending such by-laws.

(b) "committee" means the governing body of a registered society to whom the management of its affairs is entrusted :

The by-laws of a Society generally frame rules for the formation of the "Committee". See Sec. 43 (g).

(c) "member" includes a person joining in the application for the registration of a society and a person admitted to membership after registration in accordance with the by-laws and any rules :

The word "person" here apparently includes both males and females as well as Registered Co-operative Societies which are bodies corporate under Sec. 18. Those members applying for registration of a Co-operative Society must be above the age of 18 years See Sec. 6. (1). The necessity of this qualification for persons becoming members after registration is not expressly provided for.

For conditions to be complied with by persons applying for admission, election of members, payment to be made or the interests to be acquired by members before the exercise of the right of membership, procedure for settling disputes between members or past members, withdrawal and expulsion of members, payments to such members the mode of valuing a deceased member's share, the nomination of a person to whom such share or interest may be paid or transferred, payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made and the amount that may be lent to an individual member – See rules framed by the Local Government under Sec. 43 and the by-laws of Co-operative Societies.

For conditions under which *profits may be distributed* to the members of a society and the maximum rate of *dividend* which may be paid to members see rules made under Sec. 43 (r).

Sec. 13 deals with a member's *right to vote*. Sec. 14 deals with restriction on *transfer of share or interest of a member*. The share or interest of a member of a registered society is *not liable to attachment* except for any dues of the society. See Sec. 20 and 21. Facilities are provided for *transfer of share or interest of a deceased member*. See Sec. 22. *Liability of a member* of a registered society continues for 2 years from the date of his ceasing to be a member. See Sec. 23.

The election of a new member must be personal and made by the society ; no person can claim admission under any automatic rules ; and an important principle is that the new member must be accepted by the old ones or their representatives in the Committee.

- (a) "officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the rules or the by-laws to give directions in regard to the business of the society :
- (e) "registered society" means a society registered or deemed to be registered under this Act :

For *requisites of an application* for a Society see Sec. 8. For *registration of a Society* see Sec. 9. For evidence of Registration of a Society see Sec. 10. For *address and change of address* of registered Society See Sec. 15. Every Society shall keep a copy of the Act, the rules and the by-laws open to inspection. See Sec. 16. For *privileges* of a Registered Society see Secs. 18 to 28. For provisions relating to *property and funds* of a Registered Society see Secs. 29 to 34. For provisions of law relating to *inspection of affairs* of Registered Societies see Sec. 35 to 38. For provisions relating to *dissolution and winding up* of such societies see Sec. 39 to 42. Every Registered Society shall form and maintain a Reserve Fund. See Sec. 33 and notes thereunder.

The Society shall publish its *annual accounts* and *balance sheets* and shall submit *returns* to the Registrar prescribed by the latter.

- (f) "registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act : and

The Registrar is to decide *disputes* as to whether any person is an agriculturist or not and whether a person is a resident of town or not. (Sec. 7). It lies in his discretion to register a society and the by-laws and amendments thereof. (Sec. 9, 10 & 11). He may hold an enquiry into the constitution, working and financial condition of a registered society and can cancel registration on grounds set forth in Secs. 39 and 40. He may appoint a liquidator to wind up the society and realise its assets on such cancellation. See Sec. 42. He may also cancel registration of a society after enquiry under Secs. 35 and 36. Under Sec. 29 he can sanction loan by one registered society to another and can sanction the lending of money on the security of moveable property by a society with unlimited liability. He is to approve the Bank and persons carrying on the business of banking where a registered society is to deposit its funds.

He is to sanction under Sec. 34 contribution of an amount not exceeding ten per cent of the net profits to any charitable purpose after one fourth of such profits had been carried over to the reserve fund. He is to keep a register of the names and addresses of all societies.

He shall issue to the society a copy of the amended by-laws. He shall audit or cause to be audited the accounts of every registered society.

He shall on an application by a creditor of a registered society inspect or direct some other persons to hold an inspection of the books of the society.

(g) "rules" means rules made under this Act.

The Act deals with the constitution of the societies. The provisions of the Act have been confined to those general principles which all co-operative societies must accept as a condition of being permitted to enjoy the advantages afforded by special legislation. There are other matters in respect of which some guidance and some restrictions will be necessary ; and they have been left to be dealt with by Local governments in accordance with local needs, in the exercise of rule-making power which the Act confers upon them. Simplicity and elasticity are as essential in the rules framed under the law as they are in the law itself.

Sec. 23 of the General Clauses Act prescribes the provisions for making rules and by-laws. They must be published first for general information inviting objections on them which must be considered on a date before they are finally published.

Registration.

3. The Local Government may appoint a person to be Registrar of Co-operative Societies for the Province or any portion of it, and may appoint persons to assist such Registrar, and may, by general or special order, confer on any such persons all or any of the powers of a Registrar under this Act.

For other powers of the Local Government under this Act see Sec. 29 cl. 3, Sec. 33, Sec. 39 cl. (5) and Secs. 43, 45 46 and 47.

4. Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability :

Provided that unless the Local Government by general or special order otherwise directs—

- (1) the liability of a society of which a member is a registered society shall be limited ;
- (2) the liability of a society of which the object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists, and of which no member is a registered society, shall be unlimited.

Under the former Act the objects of the co-operative societies were declared to be "the encouragement of individual thrift and of mutual co-operation among the members, with a view to the utilisation of their combined credit, by the aid of their intimate knowledge of one another's needs and capacities, and of the pressure of local public opinion." But this section of the new Act considerably widens the scope of co-operation in India by allowing a co-operative society to have as its main object the promotion of the economic interests of the members in accordance with co-operative principles. The results of this change have been the institu-

tion of numerous varieties of co-operative societies which have been classified in a tabular form. *Vide ante.*

The former Act recognised only two classes of primary societies *rural* and *urban*. The combination of primary co-operative societies was not permitted under the old Act. This section provides that societies can be established with the object of facilitating the operation of primary co-operative societies. Such societies are apparently the Central Banks, the Guaranteeing Unions of Burma, and the Agricultural Unions of the Central Provinces, which are all of limited liability. Joint Societies of this character must, under sub-section (1) be ordinarily of limited liability; but they are not subject to the restrictions laid down in Sec. 5 as regards the limit of shares to be held by each member, nor to the requirements in the way of numbers or residence etc., which are prescribed in sec. 6. From this section it appears that :—

- (1) Credit Societies of which the majority of members are agriculturists must be of unlimited liability.
- (2) Credit Societies of which the majority of members are non-agriculturists may either be formed on the basis of limited liability or unlimited liability.
- (3) Societies, whether credit or non-credit, of which all or some of the members are registered societies must be of limited liability.
- (4) Societies other than credit co-operative societies have a free choice in the matter of liability.

The word "agriculturist" is thus defined in Sec. 2 of Act XVII of 1879. (*Deccan Agriculturists' Relief Act*). "Agriculturist, shall be taken to mean a person who by himself or by his servants or by his tenants earns his livelihood wholly or principally by agriculture carried on within the limits of a district or part of a district to which this Act may for the time being extend, or who ordinarily engages personally in agricultural labour within those limits."

Explanation :—An agriculturist who, without any intention of changing his status as such, temporarily ceases to earn his livelihood by agriculture or to engage personally in agricultural labour as aforesaid or who is prevented from so earning his livelihood on engaging in agriculture by age or bodily infirmity or by necessary absence in military service of His Majesty, does not thereby cease to be an agriculturist within this definition.

An agriculturist shall be deemed to reside where he earns his livelihood by agriculture or personally engages in agricultural labour.

The term as used here is not meant to include the wealthy rent-receiver. See para 13 of the Government of India Resolution dated the 29th April 1904.

5. Where the liability of the members of a society is

**Restrictions on
Interest of member
of society with
limited liability and
a share capital.**

limited by shares, no member other than a registered society shall—

- (a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed by the rules ; or
- (b) have or claim any interest in the shares of the society exceeding one thousand rupees.

By Bengal Government rule 2 the portion referred to in sub section (a) has been fixed at one fifth. An individual member can hold only up to a fifth of the total number of shares provided its value does not exceed one thousand rupees. In the case of Central Banks some local Governments have sanctioned a relaxation of the rule as to the limit of the value of shares, e.g. the Bengal Government has raised the limit to Rs. 5000. As the Act is intended to apply to persons of small means it has been thought desirable to limit the extent of the share-holding to Rs. 1000.

Another object of the limitation of shares is to render impossible the acquisition by individuals of a prominent interest in such societies, to prevent speculation in connection with them and to discourage those who might desire for personal profit to avail themselves of the facilities given by the Act to start banks for other ends than those for which the societies are intended.

6. (1) No society, other than a society of which a

**Conditions of
registration.**

member is a registered society, shall be registered under this Act which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

- (a) reside in the same town or village or in the same group of villages ; or,
- (b) save where the Registrar otherwise directs, are members of the same tribe, class, caste or occupation.

(2) The word "limited" shall be the last word in the name of every society with limited liability registered under this Act.

This Section lays down the conditions of Registration. The application for registration must, in all cases, be submitted by 10 persons of the age of 18 years and in the case of a Credit Society, the application must be submitted by persons who reside in the same town or village or are members of the same tribe class &c. It should be noted that in the case of a Communal Society the Registrar has been given discretionary power to register a Society which may include members of another caste or community.

Requirements regarding proximity of residence or community of race or occupation apply under this section to Credit Societies and are not prescribed as essential for societies other than Credit Societies. But there is nothing to prevent the Registrar from insisting on similar qualifications in the case of all societies. The requirements of this section regarding minimum number of members do not apply in the case of Unions and Central Societies. So there is nothing in the wording of the Act to prevent two Societies or one Society and one individual from applying for registration. But although no definite number of applicants has been prescribed in such cases it may be presumed that Registrars will exercise their discretion by refusing to register societies which do not represent a reasonable degree of real co-operation.

Distinction between "Town" and "Village." Sir Edward Gait in his Report on the Census of 1911 (page 29) thus describes the word "Town":—

"For the purpose of the census the term was held to include (1) every municipality, (2) all civil lines not included within municipal limits, (3) every cantonment, (4) every other continuous collection of houses inhabited by not less than 5000 persons, which the Provincial superintendent may decide to treat as a town for census purposes."

By the term "Village" Baden Powell means "a group of cultivation of a permanent character in one place, having a known area and a name in the map." (*Vide p. II, Land Revenue in British India.*) He then goes on to say.—"I say permanent because there are many soils where crops are only taken for two or three years in succession, and the place is then abandoned." For rural societies, unlimited liability has been prescribed as being most suitable as a general rule, seeing that real co-operation which it is desired to encourage is the utilisation of the combined credit for the

benefit of individual members. But cases are conceivable in which it may be desirable to allow a limitation of liability to members of particular rural societies. The Act, therefore, gives Local Government power, by special order, to relax the rule of unlimited liability.

7. When any question arises whether for the purposes

**Power of Registrar
to decide certain
questions.**

of this Act a person is an agriculturist or a non-agriculturist, or whether any person is a resident in a town or village or group of villages, or whether two or more villages shall be considered to form a group, or whether any person belongs to any particular tribe, class, caste or occupation, the question shall be decided by the Registrar, whose decision shall be final.

Application for registration.

8. (1) For purposes of registration an application to register shall be made to the Registrar.

(2) The application shall be signed—

(a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 6, sub-section (1); and

(b) in the case of a society of which a member is a registered society, by a duly authorised person on behalf of every such registered society, and where all the members of the society are not registered societies, by ten other members or, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

The rules of all the provinces provide for a form of application and prescribe the procedure to be followed by applicants. Applicants before sending up applications should consult the rules.

See notes under "by laws" Sec. 2 cl. (a). For "member" Sec. 6 sub-section. (r) and notes thereunder. The necessity for submitting the by-laws before Registration is a new feature of the Act.

Cl. 2 (a) of this section deals with Registered societies composed of individual members and not of registered societies.

Cl. 2 (b) deals with two classes of Central Societies or Banks namely (1) Central banks or Societies of which the share-holders consist only of primary societies without any restriction as to number ; in the case of such societies the application for registration has to be signed by a duly authorized person on behalf of each of the primary societies, and (2) Central Banks or Societies of the mixed type of which the share-holders are both primary societies and individual members, numbering more or less than 10. In the case of this latter kind of societies the application for registration has to be signed by duly qualified representatives of the primary societies and also by all the individual members, if their number is less than 10, and by 10 of the individual members if their member exceeds ten.

9. If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and that its proposed by-laws are not contrary to the Act or to the rules, he may, if he thinks fit, register the society and its by-laws.

See notes under Sec. 2. Sub-secs. (a) and (g):

10. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

For cancellation of registration of Societies see Secs. 40 and 41 and notes thereunder.

11. (r) No amendment of the by-laws of a registered society shall be valid until the same has been registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Registrar,

Amendment of the
by-laws of a regis-
tered society.

(2) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the rules, he may, if he thinks fit, register the amendment.

(3) When the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

Rights and liabilities of members.

12. No member of a registered society shall exercise the

Member not to exercise rights till due payment made. rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the rules or by laws.

See notes under sec. 2, cl. (a), (c) and (e). "Payment" apparently means the payment of an entrance fee. The words "interest in the society" are difficult to define. In Sec. 13 the corresponding words used are "interest in the capital of the society". In Sec. 22 reference is made to "the share or interest of a (deceased) member". Apparently the words refer to the capital formed out of payments made to the Society by a member which are not returnable like deposits received for a specified time or at call and which are more or less of a permanent character.

A person acquires interest in the Society or in the capital of the Society if he purchases shares and make such payments as may be required by the rules.

In the case of all limited liability Societies which issue shares there is some relation between the interest acquired by a member in the capital by the Society and the liability he undertakes. On the other hand in the case of an unlimited liability society which issues shares there is no such relation. In such cases members have one vote notwithstanding the extent of his interest in the Society.

In Sec. 22, share or interest practically means the same thing. A member may acquire by inheritance a full share or may have only a fractional interest in a share.

13. (1) Where the liability of the members of a registered society is not limited by shares, each **Votes of members.** member shall, notwithstanding the amount of his interest in the capital, have one vote only as a member in the affairs of the society.

(2) Where the liability of the members of a registered society is limited by shares, each member shall have as many votes as may be prescribed by the by-laws.

(3) A registered society which has invested any part of its funds in the shares of any other registered society may appoint as its proxy, for the purpose of voting in the affairs of such other registered society, any one of its members.

In the case of a society with unlimited liability each member can have but one vote only in the management of the society. In the case of a society where the liability of each member is limited by shares each member may have one vote or more than one vote as may be prescribed by the by-laws of such society.

Sub-sec. 3 refers to the representation of the interests of primary societies which have invested part of their funds either in other primary societies or in the Central banks. In such a case the primary society so investing its funds may appoint any of its members as its representative for the purpose of voting in the affairs of the other primary or central banks concerned.

14. (1) The transfer or charge of the share or interest of a **Restrictions on transfer of share or interest.** member in the capital of a registered society, shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

(2) In case of a society registered with unlimited liability a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof unless—

(a) he has held such share or interest for not less than one year ; and

(b) the transfer or charge is made to the society or to a member of the society.

Sec. 100 of the Transfer of Property Act thus defines the word "Charge"—Where immoveable property of one person is, by act of parties or operation of law, made security for the payment of money to another, and the transaction does not amount to a mortgage, the latter person is said to have a "charge" on the property.

"Maximum holding" prescribed by Sec. 5 sub-sec. (b) of this Act in the case of society with limited liability is one thousand rupees. A member of a society with unlimited liability can transfer his share or charge his share with interest after a year of his membership, but under Sec. 23 below his liability for the debts of the society will not cease with such transfer for a period of two years from the date of his ceasing to be a member.

The restriction placed by the old law on transfer of shares of non-credit societies with limited liability has been removed by this section.

Under sec. 22 a duly qualified successor of a deceased member may, in the case of a limited society claim the transfer to himself of the share of the deceased.

In these and in other respects the bulk of the non-credit co-operative societies recognised by the new law are placed on a footing similar to that of joint stock companies, and it will be necessary to see that the Act is not utilized for the benefit of societies which are not really of a co-operative character. Precautions in this direction can be taken in dealing with proposed by-laws, and it will, for example, be possible, to require a society with share capital to provide in its by-laws that shares shall not be transferable, or shall be transferable to such persons only as fulfil certain requirements, such as that the persons shall be duly elected as members.

Duties of registered societies.

15. Every registered society shall have an address, regis-

Address of societies. tered in accordance with the rules, to which all notices and communications may be sent, and shall send to the Registrar notice of every change thereof.

16. Every registered society shall keep a copy of this

Copy of Act, rules and by-laws to be open to inspection. Act and of the rules governing such society, and of its by-laws, open to inspection free of

charge at all reasonable times at the registered address of the society.

The words "*Open to inspection*" apparently mean "open to inspection by not only the members of the Society but also by the outside public."

17. (1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing in this behalf the accounts of every registered society once at least in every year.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the society.

(3) The Registrar, the Collector or any person authorised by general or special order in writing in this behalf by the Registrar shall at all times have access to all the books, accounts, papers and securities of a society, and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require.

Meaning of the word "audit." The term of the Act expressly require that the audit shall include an examination of over-due debts and a valuation of assets and liabilities. It is not merely the preparation of the balance sheets of Societies ; but it is also a sufficient check of the list of the material assets of the members. It should embrace an enquiry into all the circumstances which determine the general position of the society.

Official audit. The audit is in fact a state-controlled audit. It is through audit alone that an effective control can be exercised over the movement. It has been considered advisable that such an official audit should be compulsory in all cases and this is provided for in this section. There is no doubt that such an audit will give the outside public and the members more confidence in the management, thus encouraging deposits by members and outsiders. Even where no financial assistance may be received from Government, the societies will obtain valuable privileges under the Act, and it is reasonable that they should at the same time be obliged to submit their accounts to some check, which must in this country take the form of an official audit.

It is to be noted that under sub-sec. 3 of this Section no person except the Registrar, the Collector or any person authorised by the Registrar is empowered to inspect the society. This is to prevent harrassment of the officers of the Society by petty government officials. The assistants to the Registrar and the auditors are generally so empowered under this section.

Privileges of registered societies.

18. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

Registration of the society is necessary to make it a corporation which is an association of persons which the law treats in many respects as if it were itself a person. The rights and duties of corporations descend to the successive members of the corporation. This capacity of perpetual succession is regarded as the distinguishing feature of corporations as compared with other societies. Registration of the society makes it a body corporate—a legal entity—a jural person—that can sue and be sued, own property, and engage in activities of such kinds for which it has been incorporated.

19. Subject to any prior claim of the Government in respect of land-revenue or any money recoverable as land-revenue or of a landlord in respect of rent or any money recoverable as rent, a registered society shall be entitled in priority to other creditors to enforce any outstanding demand due to the society from a member or past member—

- (a) in respect of the supply of seed or manure or of the loan of money for the purchase of seed or manure—upon the crops or other agricultural produce of such member or person at any time within eighteen months from the date of such supply or loan ;

(b) in respect of the supply of cattle, fodder for cattle, agricultural or industrial implements or machinery, or raw materials for manufacture, or of the loan of money for the purchase of any of the foregoing things—upon any such things so supplied, or purchased in whole or in part from any such loan, or on any articles manufactured from raw materials so supplied or purchased.

Cl. (a). Under the previous Act the priority of claim in regard to crops or other agricultural produce was limited to one year only from the date of supply of the loan ; but under this section of the present Act the time limit to enforce the claim of the society has been extended to eighteen months, as many crops, such as sugar-cane, take more than a year from sowing to reaping.

Cl. (b). Under Secs. 60 and 61 of the Civil Procedure Code the cattle, implements and agricultural produce of agriculturists could not be attached and sold in execution of a decree under certain circumstances ; but by this special piece of legislation the society could recover its dues by attachment of cattle, agricultural implements etc. Under the old Act of 1904 the society had no priority of claim on the finished articles manufactured out of the raw materials supplied by the society or purchased with money supplied by the society, but under this Act the Society has such prior claim not only on the raw materials supplied by it or purchased with its money ; but also on any articles manufactured from raw materials so supplied or purchased. The society has no power of distraint. The priority of claim could only be enforced through the Civil Court.

In regard to cattle, implements or raw materials and articles no special period of limitation is fixed. Apparently therefore, the enforcement of such claims is governed by the ordinary law of limitation *i.e.* three years.

By an application made under Sec. 73 of the Civil Procedure Code a registered Co-operative society cannot enforce its prior claim within the meaning of this section as against a judgment creditor at whose instance property is going to be sold, if it has no decree or a charge under Sec. 20 of the said Act. Other remedies may still be open to such society. *See. 18 C. W. N. 1141.* (Decided by the Calcutta High Court). Sec. 73 Civil Procedure Code relates to rateable distribution of proceeds

of execution sale among decree-holders for money payable. So it clearly appears from the reading of the section that the person (here the Shabazpore Co-operative Bank) claiming rateable distribution must be a money decree-holder which the Society was not in this case. Hence the Society's claim was disallowed, it being not a charge within meaning of Sec. 20 of this Act. *Munshi Abdul Kadir vs. Shabazpore Co-operative Bank* 18 C.W.N. 1141.

20. A registered society shall have a charge upon the

**Charge and set-off
in respect of shares
or interest of
member.** share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

For what is "charge" see notes under Sec. 14. A Registered Society is empowered by this Section to set off any sum credited or payable to a member or past member towards payment of any debt due by him to the Society without the intervention of the Civil Court simply by transferring the sum lying to the credit of the member to his loan account. If the dues of the Society are not thus satisfied it has to seek the aid of the Civil Court in the way laid down in the previous section to recover its dues.

21. Subject to the provisions of section 20, the share or

**Shares or interest
not liable to attach-
ment.** interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a Court of Justice in respect of any debt or liability incurred by such member, and neither the Official Assignee under the Presidency-Towns Insolvency Act, 1909, nor a Receiver under the Provincial Insolvency Act, 1907, shall be entitled to or have any claim on such share or interest.

This section is a piece of special legislation in favour of a member of a Registered Society. The share or interest of a member in the capital of the Society cannot be now attached or sold in execution of the

decree for any other debt owed by any member of the Society. Even such share or interest of a member cannot be treated as assets of an insolvent liable to be distributed among his creditors. This has been distinctly laid down in the latter part of this Section.

22. (1) On the death of a member a registered society

Transfer of interest on death of member. may transfer the share or interest of the deceased member to the person nominated in accordance with the rules made in this behalf, or, if there is no person so nominated, to such person as may appear to the committee to be the heir or legal representative of the deceased member, or pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the rules or by-laws :—

Provided that—

(i) in the case of a society with unlimited liability, such nominee, heir or legal representative, as the case may be, may require payment by the society of the value of the share or interest of the deceased member ascertained as aforesaid ;

(ii) in the case of a society with limited liability, the society shall transfer the share or interest of the deceased member to such nominee, heir or legal representative, as the case may be, being qualified in accordance with the rules and by-laws for membership of the society, or on his application within one month of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society may pay all other moneys due to the deceased member from the society to such nominee, heir or legal representative, as the case may be.

(3) All transfers and payments made by a registered society in accordance with the provisions of this section shall be

valid and effectual against any demand made upon the society by any other person.

Sub-clause (1) of this section relates to the payment or transfer of share or interest of a deceased member after his death.

Sub-clause (2) relates to the payment of *all the other moneys* such as deposits, dividends &c. due to the deceased member from the society after his death.

"Person nominated". Every member may, at the time of his becoming a member, nominate a person to whom in the event of his death, his share or interest with the society, referred to in this section of the Act, shall be transferred or its money value paid. Such nomination should be made in such manner as the Local Government may, by rules framed under the Act, prescribe. One person only can be so nominated. See in this connection Sec. 43, Sub-sec. 2 (n) which empowers the Local Government to make rules for such nomination by members. It is not, however, compulsory on the part of any member to nominate any person to receive after his death payment of his dues either by transfer or in value. When there is no nominee the committee may determine as to who is the heir or legal representative of the deceased member.

In the case of an unlimited liability society the nominee, or if there be no nominee, the heir or legal representative *may* be paid the value of his share or his interest. The value of share must be determined in accordance with the rules or by-laws. Presumably the value of the share or interest means the amount actually received by the society from the deceased member or from any member from whom the deceased member may have acquired the share. It should be understood that an unlimited liability society *is not compelled* by sub-clause (1) (i) to pay the value of share or interest to such nominee or the heir, if the committee have any doubts in the matter.

In the case of limited liability society it is *obligatory* on the part of the society to transfer the share or interest :—

- (1) to the nominee, if the nominee is eligible for membership ;
- (2) if there is no nominee, to the heir or legal representative, as determined by the committee, if such heir or legal representative is eligible for membership ;
- (3) to any person to whom the nominee wants the share to be transferred, if such person is eligible for membership, provided that the nominee submits an application within one month from the date of the death of the deceased member ;

- (4) where there is no nominee, to any person whom the heir or legal representative, as determined by the committee, wants the share to be transferred ;
- (5) if neither the heir nor the nominee is eligible for membership, or if he cannot arrange for a transfer to a third person who is eligible for membership, the society is at liberty to pay the value to the nominee or heir, as the case may be, provided its by-laws allow it to do so.

In the case of *other moneys* such as deposits, dividends, etc., both limited and unlimited liability societies are on the same footing. It is optional on the part of the society to make over the dues to the nominee when there is one and if there be no nominee to the heir or legal representative as determined by the committee. The Committee may require Letters of Administration, Probate or Succession certificate when such payments are made.

The object of this section is to protect societies from undue harassment in case payment is made through a bona-fide mistake to a wrong person. If, for instance the heir or legal representative is wrongly determined by the committee, the rightful or legal representative cannot sue the Society for recovery of the *amount paid*. The rightful heir can sue the person to whom payment has been wrongly made. The nominee, again, may not be the rightful owner or heir ; but if he receives payment the society is absolved of all responsibility towards the rightful heir.

It should be noted here that ordinarily a succession certificate, a probate or letter of administration is necessary to recover any debt due to a deceased person. But this Section, as it stands, enables a registered society either to transfer the share or interest of the deceased or to pay a sum representing the value of such member's share either to his nominee or to the heir or legal representative of the deceased member after recording a finding as to who is the heir or legal representative of the deceased member. This is one of the many privileges granted to a Co-operative Society.

23. The liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member shall continue for a period of two years from the date of his ceasing to be a member.

"Past member" means a living member who has ceased to be a member. Under the former Act there was a shorter period of limitation viz. one year during which period the past member continued liable for the debts of the society. But under the present Act he remains liable for two years from the date of his ceasing to be a member.

24. The estate of a deceased member shall be liable for
 Liability of the estates of deceased member. a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease.

The former section deals with the liability of a member who has ceased to be so but who is not dead, this section deals with the liability of a deceased member.

25. Any register or list of members or shares kept by any registered society shall be *prima facie* evidence of any of the following particulars entered therein :—

- (a) the date at which the name of any person was entered in such register or list as a member ;
- (b) The date at which any such person ceased to be a member.

Sec. 25. This section is a special rule of evidence. For certificate of Registration See sec. 10.

26. A copy of any entry in a book of a registered society regularly kept in the course of business, shall, if certified in such manner as may be prescribed by the rules, be received, in any suit or legal proceeding, as *prima facie* evidence of the existence of such entry, and shall be admitted as evidence of the matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

Sec. 34 of the Evidence Act runs thus : "Entries in books of account, regularly kept in the course of business, are relevant whenever they refer to a matter into which the court has to enquire, but such

statements shall not alone be sufficient evidence to charge any person with any liability."

This section is enacted with a view that the original accounts of a society need not be produced in court, but only a copy of such accounts certified to be a true copy.

The Bengal rules provide that the certificate is to be dated and subscribed by the Secretary or Chairman of the society or by any other officer approved by the Registrar. See rules framed under sec. 43.

Such certified copies are merely a *prima facie* evidence of the transactions and are not conclusive proofs of them. The words "*prima facie*" means (on the first aspect) evidence and presumption which will prevail, if not rebutted or disproved.

See also sec. 4 of the Banker's Evidence Act which lays down that a certified copy of any entry in a Bankers' book shall in all legal proceedings be received as *prima facie* evidence of the existence of the entry.

Exemption from compulsory registration of instruments relating to shares and debentures of registered society.

27. Nothing in section 17, sub-section (1), clauses (b) and (c), of the Indian Registration Act 1908, shall apply to—

- (1) any instrument relating to shares in a registered society, notwithstanding that the assets of such society consist in whole or in part of immoveable property ; or
- (2) any debenture issued by any such society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immoveable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immoveable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures ; or
- (3) any endorsement upon or transfer of any debenture issued by any such society.

This section and the one following it have been enacted with a view to give facilities to the societies to transact its business with as little expense as possible. By the special provision of law laid down in this section instruments relating to shares in a society whose assets may consist of immoveable property and debentures of the descriptions described in cl. (2) are exempted from compulsory registration.

Clauses (b) and (c) sub-sec. 1 Sec. 17 of the Indian Registration Act deals with compulsory registration of non-testamentary instruments (other than gift of immoveable property) which purport or operate to create, declare, assign, limit or extinguish, whether in the present or in the future, any right, title or interest, whether vested or contingent, of the value of one hundred rupees and upwards to or in immoveable property, and non-testamentary instruments which acknowledge the receipt or payment of any consideration on account of the creation, declaration, assignment, limitation or extinction of any such right or interest.

The instruments, the debentures, and endorsement of such debentures and their transfers referred to in Sub-secs. (1), (2) and (3) respectively are exempted from the operation of cl. (b) and (c) Sub-sec. (1) to Sec. 17 of the Indian Registration Act noted above. The debentures mentioned in Sub-sec. (2) may not have anything to do with immoveable property ; but they entitle the debenture-holders to the benefit of having a lien upon the Registered mortgage or conveyance executed by the Registered Society in favour of trustees for the benefit of the holders of such debentures.

28. The Governor-General in Council, by notification in

**Power to exempt
from income-tax,
stamp-duty and
registration-fees.** the Gazette of India, may, in the case of any registered society or class of registered society, remit—

- (a) the income-tax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits ;
- (b) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a registered society or by an officer or member and relating to the business of such

society, or any class of such instruments, are respectively chargeable;

- (c) any fee payable under the law of registration for the time being in force.

This section exempts the societies from the payment of certain direct taxes to the Government.

In exercise of the powers conferred under Sub-sec. (a) income tax payable in respect of profits of any Registered Co-operative Credit Society or of dividends and other payments received by members of any such society on account of profits has been exempted by *Circular Letter No. 681-F dated Delhi the 28th December 1912*. By a Circular Letter of the same date stamp duties on instruments executed by or on behalf of any registered Co-operative Credit Society or instruments executed by any officer or member of any such society and relating to the business of the society are exempted under Sub-sec. (b).

All fees payable by or on behalf of any registered Co-operative Credit Society under the law of Registration and all fees payable in respect of instrument executed by any officer or member of such Registered Society and relating to the business thereof are exempted under Sub-sec. (c). *Vide* Home Department notification No 376 (Judicial) dated Simla, the 24th April 1914.

The Local Government may at any time withdraw such exemptions (See Sec. 46.)

Do societies other than co-operative *credit* societies enjoy these exemptions? The Government of India notifications are not clear on the point.

Property and funds of registered societies.

Restrictions on loans.

29. (1) A registered society shall not make a loan to any person other than a member :

Provided that, with the general or special sanction of the Registrar, a registered society may make loans to another registered society.

(2) Save with the sanction of the Registrar, a society with unlimited liability shall not lend money on the security of moveable property.

(3) The Local Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immoveable property by any registered society or class of registered societies.

Sub-Sec. (1). One of the main points of distinction between a Co-operative Bank and a Joint-Stock Bank is that the former may make a loan only to its member and not to outsiders, whereas in the case of the latter there is no such restriction. The former receives deposits from outsiders on payment of interest but does not issue loans to them unless they become members. It is very essential that loans should be advanced to members only. It is one of the objects of the Act to encourage thrift : and the most efficacious encouragement to the accumulation of savings is to insist that no advances shall be made except to those who have become members and have made a payment to the funds of the society.

Sub-Sec. (2). A society with unlimited liability generally lends money on personal credit or the credit which arises from the individual character and substance of its members and not on real credit or material security ; the reason is that the moral aim of co-operation can best be achieved by this method and the society may be of help to the poorest of members who may not have sufficient moveable or immoveable property.

The practical reason underlying this rule is that in Moffusil villages it is very difficult to appraise the value of moveable property and to examine the title deeds of immoveable property to be mortgaged. Hence these restrictions on lending of money by society on security of moveable and immoveable property.

There are some, however, who do not see the necessity of such restrictions. They point out that "while personal credit was undoubtedly the basis of their transaction, such things as jewels might properly be received as collateral security, that the custom of the society is to regard jewellery as available for this purpose and that if a member is debarred from utilising his material credit to the full in borrowing from his society, there will be danger of his using it to borrow from the money lender."

"While there are practical difficulties in connection with the custody and valuation of jewellery which might be formidable in the case of some village societies, it would be well to make distinctions. When a rural society is located in a town or a large village, with silversmiths available, with a ready market at hand, and with members and officers of intelligence, it may safely be trusted to conduct transactions which might be

dangerous in the case of a more strictly rustic association. Power has, therefore, been given to the Registrar to allow any society, which he thinks can be safely trusted, to advance money upon jewellery ; and he will be able to feel his way in the matter." *Government of India Resolution, Department of Revenue and Agriculture, No. 1-63-3 issued on 29th April 1904.*

Sub. Sec. (3). *Mortgage.* "The question of mortgage is still more difficult. On the one hand, one of the methods in which an involved cultivator can most effectively be assisted is by enabling him to substitute a mortgage upon reasonable for one upon exorbitant terms ; and a member who is refused the credit to which his property in land fairly entitles him, merely because he is not allowed to hypothecate it to the society, may be driven to the money-lender for a loan which, had it not been for the prohibition, he might have taken from the society with advantage to both parties. On the other hand, it is exceedingly inadvisable that the societies should be allowed to lock up their limited capital in a form in which it is not readily available : their most useful form of business will probably be small loans for short periods with prompt recoveries ; and it is above all things desirable that they should keep out of the Law Courts. The final conclusion was that loans upon mortgage should be allowed in the first instance, but that the Local Government should have power to prohibit or restrict them, either generally or in any particular case, if it is found that interference is necessary" (*Ibid.*)

The following remarks of the Maclagan Committee are generally applicable to this section : "It is a central principle of co-operation that security should be personal ; that is, that it should depend primarily on the man and his sureties and not on his property. The idea of personal security, however, implies the power of a member to repay, and this in its turn depends on his capacity as a worker, his honesty of character and the amount of his property. A Co-operative Society differs from an ordinary money-lender in that it takes cognisance of all three factors, while the latter looks at the last only. There is nothing unco-operative in the hypothecation of immoveable property, so long as it is recognised that personal security must be given and that the borrower's property is only a secondary or collateral protection. It follows from this that, when tangible property is accepted as security for a loan, it should be taken in addition to the instrument executed by the borrower and his sureties, and not in place of them ; and we think that the existence of a pledge or mortgage should not absolve societies from taking sureties also or from

proceeding, in case of default, against ~~sureties~~ before taking action against the property."

30. A registered society shall receive deposits and loans ~~from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by-laws.~~

As regard borrowing an unfettered power to borrow may prove dangerous to a society. So power has been reserved to Local Governments to regulate it in such manner as experience may show to be desirable. Hence restrictions are made by rules and by by-laws as to the extent of loans that a society can make. Agricultural produce should stand on precisely the same footing, as money for all purposes of subscriptions, deposits, advances, payments and recoveries. Such transactions are within the ordinary powers of the societies.

31. Save as provided in sections 29 and 30, the transactions of a registered society with persons ~~other than members~~ shall be subject to such prohibitions and restrictions, if any, as the Local Government may, by rules, prescribe.

Under this section the Local Government have been given power to impose restrictions other than those laid down in Secs. 29 and 30 with regard to transactions with non-members.

32. (1) A registered society may invest ~~of funds.~~ or deposit its funds—

- (a) in the Government Savings Bank, or
- (b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882, or
- (c) in the shares or on the security of any other registered society, or
- (d) with any bank or person carrying on the business of banking, approved for this purpose by the Registrar, or
- (e) in any other mode permitted by the rules.

(2) Any investments or deposits made before the commencement of this Act which would have been valid if this Act had been in force are hereby ratified and confirmed.

Sec. 20 Indian Trusts Act (Act II of 1882) runs thus:—Where the trust property consists of money and cannot be applied immediately or at an early date to the purposes of the trust, the trustee is bound (subject to any direction contained in the instrument of trust) to invest the money on the following securities, and on no others :—

- (a) in promissory notes, debentures, stock, or other securities of the Government of India, or of the United Kingdom of Great Britain and Ireland ;
- (b) in bonds, debentures, and annuities charged by the Imperial Parliament on the Revenues of India ;
- (c) in stock or debentures of, or shares in Railway or other companies, the interest whereon shall have been guaranteed by the Secretary of State for India in Council ;
- (d) in debentures or other securities for money issued under the authority of any Act of Legislature established in British India on behalf of any Municipal Body, Port Trust or City Improvement Trust in any Presidency town or in Rangoon town, or by or on behalf of the trustees of the port of Karachi ;
- (e) on the first mortgage of immoveable property situate in British India ; provided that the property is not a lease hold for a term of years and that the value of the property exceeds by one-third, or if consisting of buildings, exceeds by one half, the mortgage money ; or
- (f) on any other security expressly authorised by the instrument of the trust, or by any rule which the High Court may from time to time prescribe in this behalf. Provided that, where there is a person competent to contract and entitled to possession to receive the income of the trust property for his life, or for any greater estate, no investment on any security mentioned or referred to in clauses (d). (e) and (f) shall be made without his consent in writing.

Clauses 1 (b), (c) and (e) were not in the former Act. They are inserted to extend the scope of investment.

cl. (1) (a) The funds of a society are kept either in the Central Bank to which it is affiliated or in a Post Office Saving Bank where the account of the society is considered as public account.

cl. (1) (c) A registered society may invest its funds in shares of another registered society or may deposit its funds with any third party on the guarantee of another registered society, the latter being bound to make good to the former any loss arising from its so depositing its funds with a third party.

The funds and papers of a Co-operative Credit Society are kept in the Treasury for safe custody under the orders of some of the Local Governments.

38. No part of the funds of a registered society shall be

~~Funds not to be divided way of profit.~~ divided by way of bonus or dividend or otherwise among its members :

Provided that after at least one-fourth of the net profits in any year have been carried to a reserve fund, payments from the remainder of such profits and from any profits of past years available for distribution may be made among the members to such extent and under such conditions as may be prescribed by the rules or by-laws :

Provided also that in the case of a society with unlimited liability no distribution or profits shall be made without the general or special order of the Local Government in this behalf.

Every Society, whether on the basis of limited liability or on that of unlimited liability, must carry one-fourth of the net profits to the Reserve fund. In the case of a *limited liability society* after the one-fourth has been carried to the reserve fund, payments may be made in the shape of dividend, bonus etc. subject to such restrictions as may be laid down in the Government rules or the by-laws.

In the case of an *unlimited liability society* division of the net profits after deducting one-fourth cannot be so made except on the general or special sanction of the Local Government. If there is no such sanction unlimited liability societies must carry their entire profits to the reserve fund after deduction of any payment made for charitable purposes in accordance with sec. 34.

The clause regarding payment of dividend in the case of the unlimited liability society with the sanction of the Local Government has been specially enacted to suit the requirements of a new type of Society with unlimited liability in which shares are paid up by instalments spread over a term of years and the shareholders are entitled to profits after expiration of that term. This section allows distribution of profits to such class of societies under the general or special order of Local Government independently of the particular consideration regarding the size of the reserve fund and the rates of interest on loans which were prescribed by the old Act.

The *Reserve Fund* serves three purposes :—(1) If there is any loss or remission the reserve fund will bear it. (2) It creates additional credit in the money market. (3) Lastly as the reserve fund increases there will be less and less necessity to profit out of interest and so the rate of interest payable on loans issued by the society will be gradually reduced. It may come down to 3 per cent per annum after years of good management of the funds of the society. The Reserve fund is at all times indivisible among the members, the object being to prevent the members from the temptation of closing the society and thus getting an opportunity of dividing the accumulated funds amongst themselves. It is for this reason that the by-laws provide that when a society is wound up the reserve fund is utilized for such public purpose as the members may decide.

34. Any registered society may, with the sanction of Contribution to the Registrar, after one-fourth of the net charitable purpose. profits in any year has been carried to a reserve fund, contribute an amount not exceeding ten per cent. of the remaining net profits to any charitable purpose, as defined in section 2 of the Charitable Endowments Act 1890.

This provision is new and permission is hereby given to devote a part of the profits of a society to charitable purposes. "Charitable purposes" are thus defined under Act I of 1890 : "In this Act 'charitable purpose' includes relief of the poor, education, medical relief and the advancement of any other object of general public utility, but does not include a purpose which relates exclusively to religious teaching or worship."

The previous sanction of the Registrar is necessary before any payment is made for such charitable purpose. The maximum amount is limited to

to p. c. of the net profits after $\frac{1}{4}$ has been carried to the Reserve Fund i.e. $7\frac{1}{2}$ per cent of the net profits. Suppose a society makes a net profit of Rs. 100 in any year, Rs. 25 will go to the Reserve Fund and 10 p. c. of the balance comes to $7\frac{1}{2}$ rupees.

Inspection of affairs.

35. (1) The Registrar may of his own motion, and shall on the request of the Collector, or on the application of a majority of the committee, or of not less than one-third of the members, hold an inquiry or direct some person authorised by him by order in writing in this behalf to hold an inquiry into the constitution, working and financial condition of a registered society.

(2) All officers and members of the society shall furnish such information in regard to the affairs of the society as the Registrar or the person authorized by the Registrar may require.

Enquiry may be made by the Registrar (a) of his own motion, (b) at the request of the Collector, (c) on the application of a majority of the Committee and (d) on the application of not less than $\frac{1}{3}$ of the members.

The Registrar may himself hold the enquiry or may authorise any body in writing. In any case where the Registrar authorises a person the authority must be in writing.

36. (1) The Registrar shall, on the application of a creditor of a registered society, inspect or direct some person authorized by him by order in writing in this behalf to inspect the books of the society :

Provided that—

(a) the applicant satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time ; and

- (b) the applicant deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.
- (2) The Registrar shall communicate the results of any such inspection to the creditor.

By this section power is given to a creditor of a registered society to move the Registrar to inspect the books of a society.

37. Where an inquiry is held under section 35, or an **Costs of inquiry.** inspection is made under section 36, the Registrar may apportion the costs, or such part of the costs as he may think right, between the society, the members or creditor demanding an inquiry or inspection, and the officers or former officers of the society.

This Section provides for the levy of cost for enquiry held under Secs. 35 & 36. It will be noticed that the cost may be recovered either in whole or in part from (a) the society (b) the member demanding the enquiry, (c) creditors demanding the enquiry, (d) the existing officers of the society (e) former officers of the society. Costs may be recovered from any one of these or may be divided amongst each or all of these as the Registrar may think fit.

38. Any sum awarded by way of costs under section 37 **Recovery of costs.** may be recovered, on application to a Magistrate having jurisdiction in the place where the person from whom the money is claimable actually and voluntarily resides or carries on business, by the distress and sale of any moveable property within the limits of the jurisdiction of such Magistrate belonging to such person.

Dissolution of society.

39. (1) If the Registrar, after an inquiry has been held **Dissolution.** under section 35 or after an inspection has been made under section 36 or on receipt of an application made by three-fourths of the members of a registered society, is of opinion that the society ought to be dissolved, he may cancel the registration of the society.

(2) Any member of a society may, within two months from the date of an order made under sub-section (1), appeal from such order.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period.

(4) Where an appeal is presented within two months, the order shall not take effect until it is confirmed by the appellate authority.

(5) The authority to which appeals under this section shall lie shall be the Local Government :

Provided that the Local Government may, by notification in the local official Gazette, direct that appeals shall lie to such Revenue-authority as may be specified in the notification.

This section empowers the Registrar to cancel the registration of a society under the following conditions : (1) If the enquiry held under Sec. 35 or (2) the inspection made under Sec. 36, satisfy the Registrar that the society ought to be dissolved or (3) if any application for dissolution is made by three-fourths of the members of a Registered society. (The Registrar may also cancel the Registration of a society when the total number is reduced to less than 10 as per next section).

Any member of the society against which an order of dissolution has been passed may appeal to the Local Government or such Revenue authorities as may be specified in the notification of the Local Government published in the local Official Gazette. The appeal is to be presented within two months of the issue of the order of cancellation which takes effect from the date of the final order of the appellate authority.

The law does not give any power to the creditor of a society to appeal against an order of dissolution.

"The causes put forward for the failure of societies are very various and include a want of due supervision, indiscreet loans, contumacy of borrowers, unpunctuality of repayments, the restriction of loans to a few individuals, dishonesty or incompetency of society-officials, bad selec-

tion of members, the extension of a society over too large an area, concealment of old debts, faulty constitution, internal dissensions, insufficient funds or membership, the preponderating influence of one member, and general lack of interest by members in the affairs of the society."—(*Maclagan Committee's Report*, p. 53.)

40. Where it is a condition of the registration of a society that it should consist of at least ten

Cancellation of registration of society.

members, the Registrar may, by order in writing, cancel the registration of the society if at any time it is proved to his satisfaction that the number of the members has been reduced to less than ten.

Provision is made under this section for maintaining after registration the minimum number of members required for a society which applies for registration. There is no similar provision for maintaining other qualifications as regards residence, caste *etc.* which are prescribed for credit societies in Sec. 6 (*a*) and (*b*). It is intended that the Registrar should, in sanctioning the proposed by-laws of a credit society, satisfy himself that proper residential and class qualifications are rendered obligatory for future members ; but it is contemplated that the qualifications laid down should, where necessary, be subject to alteration by simple amendment of by-laws sanctioned by the Registrar, whereas if the law had prescribed the rigid application of the qualifications originally prescribed to future members, no alteration could have been made in these qualifications without the dissolution and reconstitution of the society.

Effect of cancellation of registration. as a corporate body—

41. Where the registration of a society

is cancelled, the society shall cease to exist

(*a*) in the case of cancellation in accordance with the

provisions of section 39, from the date the order
of cancellation takes effect ;

(*b*) in the case of cancellation in accordance with the
provisions of section 40, from the date of the order.

42. (1) Where the registration of a society is cancelled
under section 39 or section 40, the Registrar

Winding up. may appoint a competent person to be
liquidator of the society.

(2) A liquidator appointed under sub-section (1) shall have power—

- (a) to institute and defend suits and other legal proceedings on behalf of the society by his name of office;
- (b) to determine the contribution to be made by the members and past members of the society respectively to the assets of the society;
- (c) to investigate all claims against the society and, subject to the provisions of this Act, to decide questions of priority arising between claimants;
- (d) to determine by what persons and in what proportions the costs of the liquidation are to be borne; and
- (e) to give such directions in regard to the collection and distribution of the assets of the society, as may appear to him to be necessary for winding up the affairs of the society.

(3) Subject to any rules, a liquidator appointed under this section shall, in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of witnesses and to compel the production of documents by the same means and (so far as may be) in the same manner as is provided in the case of a Civil Court under the Code of Civil Procedure, 1908.

(4) Where an appeal from any order made by a liquidator under this section is provided for by the rules, it shall lie to the Court of the District Judge.

(5) Orders made under this section shall, on application, be enforced as follows :—

- (a) when made by a liquidator, by any Civil Court having local jurisdiction in the same manner as a decree of such Court;

- (b) when made by the Court of the District Judge on appeal, in the same manner as a decree of such Court made in any suit pending therein.
- (6) Save in so far as is hereinbefore expressly provided, no Civil Court shall have any jurisdiction in respect of any matter connected with the dissolution of a registered society under this Act.

On cancellation of a society the Registrar may appoint a competent person as liquidator to wind up the affairs of the society. This section defines the powers and duties of the liquidator. Certain portion of the C. P. Code is applicable in proceedings before the liquidator for enforcing attendance of witnesses and production of documents. Orders of the liquidator are treated as a decree and are executed as such under the provisions of C. P. Code by a Civil Court having local jurisdiction. Appeal from order of Liquidator lies to the Court of the District Judge having local jurisdiction, if it is so provided for by the rules and the order passed by him is executed as a decree passed by such Court in a suit before him.

The Section of the Indian Contract Act relating to Dissolution of Partnership Contract does not apply to a dissolution of Co-operative Society.

Rules.

43. (1) The Local Government may, for the whole or any part of the Province and for any registered society or class of such societies, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may—

(a) subject to the provisions of section 5, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member;

- (b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications ;
- (c) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and abrogating by-laws, and the conditions to be satisfied prior to such making, alteration or abrogation ;
- (d) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members, and the payment to be made and the interests to be acquired before the excrcise of the right of membership ;
- (e) regulate the manner in which funds may be raised by means of shares or debentures or otherwise ;
- (f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings ;
- (g) provide for the appointment, suspension and removal of the members of the committee and other offclcers, and for the procedure at meetings of the committee, and for the powers to be exercised and the duties to be performed by the committee and other officers ;
- (h) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance sheet showing the asssets and liabilities of a society ;

- (i) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted ;
- (j) provide for the persons by whom and the form in which copies of entries in books of societies may be certified ;
- (k) provide for the formation and maintenance of a register of members and, where the liability of the members is limited by shares, of a register of shares ;
- (l) provide that any dispute touching the business of a society between members or past members of the society or persons claiming through a member or past member or between a member or past member or persons so claiming and the committee or any officer shall be referred to the Registrar for decision or, if he so directs, to arbitration, and prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators, and the enforcement of the decisions of the Registrar or the awards of arbitrators ;
- (m) provide for the withdrawal and expulsion of members and for the payments, if any, to be made to members who withdraw or are expelled and for the liabilities of past members ;
- (n) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred ;

- (o) prescribe the payments to be made and the conditions to be complied with by members applying for loans, the period for which loans may be made, and the amount which may be lent, to an individual member;
- (p) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of the society;
- (q) prescribe the extent to which a society may limit the number of its members;
- (r) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies;
- (s) subject to the provisions of section 39, determine in what cases an appeal shall lie from the orders of the Registrar and prescribe the procedure to be followed in presenting and disposing of such appeals; and
- (t) prescribe the procedure to be followed by a liquidator appointed under section 42, and the cases in which an appeal shall lie from the order of such liquidator.

(3) The Local Government may delegate, subject to such conditions, if any, as it thinks fit, all or any of its powers to make rules under this section to any authority specified in the order of delegation.

(4) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(5) All rules made under this section shall be published in the local official Gazette and on such publication shall have effect as if enacted in this Act.

Sub-sec. (1) (q) Rules framed under this sub-section are intended to prevent co-operative societies from becoming close corporations for the benefit of a few individuals.

Sub-Sec. (1) (r). Under the clause the maximum rate of dividend is prescribed to prevent profits from being diverted to the benefit of share-holders and to cheapen the services to be performed by the society.

Miscellaneous.

44. (1) All sums due from a registered society or from

**Recovery of sums
due to Government.**

an officer or member or past member of a registered society as such to the Government, including any costs awarded to the Government under section 37, may recovered in the same manner as arrears of land-revenue.

(2) Sums due from a registered society to Government and recoverable under sub-section (1) may be recovered, firstly, from the property of the society ; secondly, in the case of a society of which the liability of the members is limited, from the members subject to the limit of their liability ; and, thirdly in the case of other societies, from the members.

See Act XI of 1859 and Act I of 1895. The provision of the latter Act apparently applies to realize the sums mentioned in the section. The amount due to Government is a public demand. Hence the sums referred to in Sub-sec. (1) are to be realized under the Public Demands Recovery Act. (Act I of 1895.) The procedure is as follows :—Under Sec. 6 of Act I of 1895 the certificate officer makes a certificate of the amount of the sums remaining unpaid, which has the force of a decree of a Civil Court. Under Sec. 10 of the said Act the judgment-debtor is served with a notice and a copy of such certificate. After service of such notice, such certificate shall bind all immoveable property as if such property has been attached. The judgment-debtor can file an objection to the certificate under Sec. 12 denying his liability within 30 days from the service of such notice, or where no such notice has been duly received, within 30 days from execution of any process for enforcing such certificate. The objection is then heard, under Sec. 32 (a). An appeal lies from any original order of a Certificate Officer other than that of the

District Collector to the District Collector. An appeal from the order of the District Collector lies to the Commissioner within 30 days from the decision of the District Collector.

Lastly a suit lies in the Civil Court for the cancellation of the certificate within 6 months from the date of service of notice under Sec. 10, from the date of determination of objection under Sec. 12 or from the date of the decision of appeal under Sec. 32 (a).

The certificate aforesaid being treated as a decree of a Civil Court is executed as a decree under the Civil Procedure Code.

45. Notwithstanding anything contained in this Act,

Power to exempt societies from conditions as to registration. the Local Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Act as to registration.

46. The Local Government may, by general or special

Power to exempt registered societies from provisions of the Act. order, exempt any registered society from any of the provisions of this Act or may direct that such provisions shall apply to such society with such modifications as may be specified in the order.

It was found impossible by this Act to provide for all eventualities and that however generally suitable the specific provisions of the Act might be, there might well be special circumstances to which they were unsuited. Hence this section was enacted.

In the body of the Act have been included those provisions which it is believed will be suitable to the type of Co-operative Societies that are most likely to come into existence in this country, and these provisions will constitute the normal law which will apply of its own force to these societies in general. But the Local Government will have an absolutely free hand to depart from or vary them, on condition only that it does so by special order in each case and after full consideration of the circumstances that justify this departure. Of course it is intended that this power should be exercised only on behalf of societies the actions of which are consonant with the objects which the Act is intended to promote and with their constitution and objects. In the second place it was desirable to confer on them special privileges and facilities, in order

to encourage their formation and assist their operation. And thirdly, since they were to enjoy exemptions from the general law and facilities of special nature, it was necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colorable pretexts, of privileges which were not intended for them.

47. (1) No person other than a registered society shall ^{Prohibition of the use of the word "co-operative."} trade or carry on business under any name or title of which the word "co-operative" is part without the sanction of the Local Government :

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation.

(2) Whoever contravenes the provisions of this section shall be punishable with fine which may extend to fifty rupees and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

Except this section no other penal section is provided for carrying out the provisions of the Act.

Indian Companies Act, 1882, not to apply. Saving of existing societies.

48. The provisions of the Indian Companies Act, 1882, shall not apply to registered societies.

The reasons for the non-applicability of the Indian Companies Act are thus set forth in the *Government of India Resolution : Department of Revenue Agriculture, dated the 20 April 1904*. "The Companies Act at present in force (Act VI of 1882) contains 256 Sections, and its elaborate provisions, however necessary in the combinations of capital on a large scale, are wholly unsuited to societies of the kind it is now desired to encourage. The first thing to be done, therefore, was to take such societies out of the operation of the general law on the subject, and to substitute provisions specially adapted to their constitution and objects. In the second place it was desirable to confer upon them special privileges and facilities, in order to encourage their formation and assist their operation. And, therefore, since they were to enjoy exemptions from

the general law and facilities of a special nature, it was necessary to take such precautions as might be needed in order to prevent speculators and capitalists from availing themselves, under colourable pretexts, of privileges which were not intended for them."

49. Every society now existing which has been registered under the Co-operative Credit Societies Act, 1904, shall be deemed to be registered under this Act, and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Act, continue in force until altered or rescinded.

50. The Co-operative Credit Societies
Repeal. Act, 1904, is hereby repealed.

CHAPTER XXI.

CONCLUSION.

"We have the beginnings of a great movement," said H. E. Lord Carmichael in the excellent opening speech before the sixth Bengal Provincial Co-operative Conference, "which will not only bring wealth to the individual but will teach him thrift with all its economic and moral advantages ; and it will teach him more : it will teach him to work gratuitously for the good of his fellowmen realising that his salvation is bound up in the salvation of those around him. I believe that the young men of Bengal are ripe for such work. I know how they worked in the great floods in the Burdwan Division and how some of them are still working in the flooded areas of Midnapore. I then learnt what they were prepared to sacrifice for the good of others. In Co-operation the young men have an almost unlimited field for such social service and I appeal to them to make the most of it. It is not perhaps heroic work, but it is the quiet work of the multitude of men which brings about a great economic revolution." This noble appeal, coming, as it does, from the august head of our province has a significance all its own : all our educated countrymen should become missionaries of the gospel of Co-operation and should help on the Co-operative movement—a movement which will metamorphose our dark arid Sahara of hopeless rural indebtedness into a beautiful oasis of hope, sunshine and cheerfulness—it will convert sorrow into joy, penury into plenty. It is the work in which the truly patriotic Indian must join, if he wants to do some real good to the dumb, debt-ridden millions upon the fruit of whose labour he subsists. And, as the Hon'ble Mr. Lyon has truely remarked, "the movement comprises work for all,

For the town man, there is work in the formation and management of Central Banks, of Unions, and of those urban societies which have already proved a valuable branch of our labours ; for the big landlord there is the Union of the co-operative credit societies within his estates and the formation of others in his own village and elsewhere, and there is the friendly interest in the work of other organisers and enthusiasts which will do so much to commend our principles ; for the minor landlords, tenure-holders or talukdars there is the infinitely interesting work of organising individual societies, of awakening the dormant conscience of the people to the advantages of thrift, and the gradual upraising of public opinion and public life in rural areas ; and we all know how much in the way of education and sanitation and other necessities of existence depends upon the awakening of the people's conscience. Nor need it be feared that the work will prove dull or uninteresting. While the politician may sometimes well lose heart when he thinks of the greatness of the subjects with which he deals, and the long and weary distance he must traverse before he can reach his goal, the village and town organiser of co-operative credit societies sees his work justifying itself before his eyes, and his reward comes to him at once in the visible advancement of the people for whom he is living."

We cannot better conclude than by quoting the following passage from the concluding portion of Sir Frederick Nicholson's valuable report. "What is wanted is the individual initiative and continuous devotion of those who, by their position and education, by the wisdom of an educated philanthropy, should lead the country in the path of rural reform. There are in every considerable village, men fully equal in intelligence and status of men who in Europe locally administer the movement and direct the institution ; it remains only to find men of apostolic fervour who will

pioneer and champion the idea' and will labour in person in the villages, not merely or so much in lecturing and writing, good though these may be, but in the actual establishment and administration of humble societies. It is not in great schemes or institutions, nor in reports or circulars or Government orders, not even in specially granted privileges, that success lies, but in the unassuming labours which, starting with simple ideas, simple aims and simple facts overcome each difficulty as it arises, and perfect, *ambulando*, the systems which shall be found suitable to the needs of the country. It is beyond the powers of any brain, however fertile, of any man, however fully informed to conceive in advance a method, *confectus ad unguem*, of banking for the people, least of all in a country where the conditions are so novel, the banking idea so absolutely unknown, as in this country. Success can only arise from the long continued practical efforts of zealous men, who, while informed in the details of every method yet tried, can yet live among the people, vivify them' with their own spirit and intelligence, energise them with some of their own enthusiasm and with them work out in actual fact, even though on the humblest lines, the system or systems of the future."

APPENDIX A.

*Statistics giving a general view of the progress of the co-operative movement in India. [From the
"Statements showing progress of the Co-operative Movement in India during the year 1914-15."]*

	1906-07.	1907-08.	1908-09.	1909-10.	1910-11.	1911-12.	1912-13.	1913-14.	1914-15.	
I	2	3	4	5	6	7	8	9	10	
I.—NUMBER OF SOCIETIES.										
Central	14	7	15	32	60	120	251	329	397	
Non-Agricultural Total	89 149 1,201 1,766 3,145 843 ...	227 1,766 1,766 3,145 3,498 2,608 1,357	321 415 4,957 5,432 3,498 2,608 843	495 7,562 8,177 12,324 8,177 12,324 1,357	601 11,382 14,538 15,673 15,673 15,673 1,357	601 11,382 14,538 15,673 15,673 15,673 1,357	866 14,538 16,016 17,327 17,327 17,327 1,357	866 14,538 16,016 17,327 17,327 17,327 1,357	914 16,016 17,327 17,327 17,327 17,327 1,357
II.—NUMBER OF MEMBERS.										
90,844	149,160	184,889	230,698	314,101	403,318	573,536	744,226	824,469		
III.—CAPITAL.										
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Loans from private persons	6,56,092	12,43,495	24,93,814	34,82,691	53,51,325	88,39,777	1,33,62,788	1,98,35,727	2,36,93,257	
Loans from other Societies*	2,40,425	5,84,765	15,96,611	30,15,106	59,35,736	1,10,41,533	1,93,61,345	2,86,28,195	3,17,43,533	
Share capital	5,55,805	9,35,928	14,77,254	23,08,342	33,91,185	52,58,037	86,19,793	1,22,99,082	1,48,66,045	
Deposites by members	5,76,025	9,19,523	16,18,018	25,33,317	42,70,102	65,07,698	93,54,645	1,18,55,857	1,21,46,359	

* These include loans from Central Societies to other Societies.

APPENDIX B.

THE GROWTH OF CO-OPERATION IN INDIA.

GOVERNMENT OF INDIA.

Resolution No. 12-287-1, dated Simla, the 17th June 1914.

"If the system of co-operation can be introduced and utilized to the full, I foresee a great and glorious future for the agricultural interests of this country."—His Majesty the King-Emperor, 13th December 1911.

Introductory.—Ten years ago there was nothing beyond a few scattered experiments to indicate the presence of the co-operative movement in India. To-day there are over 12,000 societies with nearly 600,000 members and with a working capital of over five crores of rupees, and co-operation has firmly established itself as a powerful factor in the material and moral welfare of the people. A stage, therefore, appears to have been reached at which an endeavour may suitably be made to review the manner in which this remarkable development has proceeded, and the main principles which have guided it in the past, and should guide it in the future. In this Resolution an attempt will be made to trace the growth of co-operation in India, to indicate the benefits—economic, social, and educational—which the movement, if wisely directed, may be expected to produce, as well as the dangers to be avoided, to describe the main features of the various types of society, to discuss a number of questions of administrative detail, to examine to what extent State aid has been and should be rendered, and, finally, to consider how far, in the every day work of administration, district officers should keep in touch with the movement and utilize this new element in the national life.

2. *Co-operation: credit and other.*—Economic co-operation is based on the fact that when men are joined together for a common object credit, which was denied to the individual, becomes accessible, and advantages beyond the reach of any member of the group working independently are secured. This principle finds its expression in two distinct methods of association, one of which underlies the system of Co-operative Credit, while the other is the foundation of Co-operative Purchase, Sale, Produc-

tion and Insurance. In the former several persons combine to furnish a collective guarantee by which they are enabled to secure money at lower rates of interest than they could obtain individually. In the latter a similar combination is made in order to effect economies in the preparation or disposal of produce. The former method of co-operation is generally the simpler and more easily managed ; it provides the primary requisities for progress, and it is in a sense the foundation of the other, both in India and in other countries.

To form a credit society in its simplest form all that is legally necessary is for ten or more persons to secure registration. The society on the joint security of its members borrows money, and the money so obtained is lent to such members as are in need of loans. When joint security is offered money can be borrowed by the society at a comparatively low rate of interest, and although the interest charged to members who borrow from the society is fixed at a slightly higher rate it still remains perceptibly lower than that charged in the open market. A society formed for the sale of produce would collect the produce at one place, convey it to market in the most economical manner and obtain better terms by selling to large dealers and not to middlemen. Similarly a society, formed for the purchase of seed would combine the contributions of its members, buy seed at wholesale prices and distribute it to the members at cheap rates.

3. *Origin in India : Act of 1904.*—Co-operative credit, as an organised system, had its origin in Germany about the middle of the last century. Its beginnings were of the humblest description. Two men, Raiffeisen and Schulze-Delitzsch, started independently about the same time to work out a system of credit on co-operative lines, the former in the main for poor peasants, the latter for artisans and small tradesmen. For a long time progress was slow, but between 1880 and 1890 the movement may be said to have established itself, and from that time forward there has been marked and continuous development. Co-operative credit has, for reasons which need not be detailed here, hitherto failed to gain more than a very small footing in Great Britain, but in Ireland, and in most of the principal countries of Europe, it has now obtained an established position as one of the chief elements in the agricultural and industrial welfare of the people. Proposals have from time to time been made, by Sir William Wedderburn and others, for the establishment in India of banks to supply capital to agriculturists and to free them from the indebtedness caused by usurious rates of interest, but to solve the

problem of agricultural indebtedness something more than the creation of cheap and unrestricted credit was required, and, although the possibility of extending the system of co-operative credit to this country had previously been considered, it was not until 1895, when Sir Frederick Nicholson of the Indian Civil Service submitted to the Madras Government a valuable and comprehensive report on the subject, that a real beginning was made. In this report he described the systems of co-operation in force in European countries and examined their applicability to Indian conditions. While it was under consideration, a volume entitled 'People's Banks for Northern India' was published by Mr. Dupernex, I.C.S., and a few small experimental societies were instituted by Mr. Dupernex and other officers in different parts of India. So long, however, as the transactions of these societies were governed by the complicated provisions of the Companies' Act, it was impossible to expect much progress, and a Committee was therefore appointed by Lord Curzon in 1901, under the presidency of Sir Edward Law, to report on the action necessary for the establishment of co-operative societies on a proper footing. The Committee had the benefit of the advice of Mr. Henry Wolff, the leading authority in England on the subject, and as a result of its recommendations a Bill was introduced in the Legislative Council by Sir Denzil Ibbetson and was subsequently passed as Act X of 1904.

4. *Act of 1912.*—Under the Act of 1904, a simplified form of procedure was prescribed for credit societies and their status was defined. Societies were divided into two classes—'rural' and 'urban',—separate conditions being prescribed in the case of each class in regard to matters such as members' liability and the application of profits, and the business procedure of societies was freed from the elaboration of the Companies' Act. Certain duties were prescribed for societies and their members, and power was given to the Government to exempt them in certain particulars from the operations of the ordinary law. Registrars, with powers under the Act, were appointed in each province, and in two years 800 societies had sprung into existence. The number steadily increased from year to year, and before long the provisions of the law—which were necessarily of an experimental nature only—were found to be in some respects faulty, and in others inadequate. The distinction in treatment between rural and urban societies, for instance, was found in practice to be unnecessary. There was, moreover, no formal recognition of joint or central societies formed of other societies, nor did the Act expressly cover any form of co-operation other than co-operative credit. To remedy these and other

minor defects which experience had brought to light, a new Act was passed in 1912 which dealt with co-operation of all kinds, and it is by this Act (No. II of 1912) that co-operation is now regulated in this country.

5. *Rate of progress.*—The number of societies (including those in the Native States of Mysore and Baroda) has now, according to the latest returns available, risen to 12,324 (of which all but 176 are credit societies) and the number of members to 573,536. There has been a brisk demand for the creation of new societies, and considerable pressure has been put on Registrars to register societies at a more rapid rate than is represented by these figures. They have been flooded with applications for enrolment, and, even where applications were not received, nothing would have been easier than to create new societies, as it were, by beat of drum. The principle on which they have acted in spreading the gospel of co-operation has been to make sure before accepting converts that the matter has been well considered and the new doctrine understood, as one good society is, in the end, better than any number of unsuccessful ones. The failures that have occurred in the cases when this course was not followed, have fully justified the caution with which the numbers have been increased. It is sometimes urged that the movement only touches an infinitesimal proportion of the population, and that, if co-operation is materially to affect the condition of the masses, more rapid progress should be made. But it must be borne in mind that the benefits of the societies are by no means confined to registered members. If 600,000 persons are members, the numbers directly affected, including their families, can scarcely be less than 3 millions, and if we take also into account the general reduction of the rate of interest and similar benefits to outsiders which have followed the spread of the movement, it can fairly be claimed that co-operation has already brought relief to some six millions of people—a very gratifying and indeed phenomenal outcome of the work of ten years. It is true that there is still only one agricultural co-operative society in India for every 20,000 of the population engaged in agriculture, whereas in Italy, for instance, there are 18 and in Germany 52. But the movement in India is only at its beginning, and the progress made in the first stage has been unequalled in any other country. In Germany, the pioneer of co-operative credit, the initial difficulties were immense, and 30 societies represented the fruit of 30 years' effort, while even now, according to the best information available, the number of societies in Germany after another 30 years does not exceed 17000. In Austria after ten years there were 15 societies and now, after some 60 years, about 12,000. In Russia there are said to be 14,000, in France 4,000, and in

Japan 7,000. But, although such rapid progress has been made, the movement, fostered as it has been by the resourceful guidance of the Registrars, has developed naturally and on sound lines, and the aim kept steadily in view has been not the multiplication of societies but rather the restriction of the movement within safe bounds. In the future, now that the first stage has been passed, it is possible that, with the help of federation and increased un-official supervision, the rate of progress may in places safely increase, but the caution and restraint shown in the past is in every way a matter for congratulation.

6. *Economic benefits.*—The aim of those who form themselves into societies is primarily economic. Their object is to obtain money or the other necessities of production at cheaper rates, or to sell their produce at higher prices than those which prevail in the market to which they would individually resort. If this object can be obtained over a considerable portion of India, the result will be of immense economic value. It has, for instance, been calculated that in interest alone the agriculturists of India, by taking loans from co-operative credit societies instead of from the village money-lenders, are even now saving themselves from an absolutely unnecessary burden of at least 20 lakhs of rupees per annum, and there is no reason why in a few years this figure should not multiply itself several times over. The mere saving in interest charges is, however, a part only of the benefits received. With the progress of co-operation and with credit democratised money that has lain rusting in hoards has been produced and placed in deposit ; money that would otherwise have lain idle has found a serviceable form of investment ; capital that would otherwise have been inaccessible has come into the hands of the agriculturists ; old debts have been paid off and old mortgages redeemed, cases being reported in which the debts and mortgages not of individuals only but of whole villages have been cleared off. With freedom from debt and with access to capital on reasonable terms, the agriculturist is enabled to develop his means with better heart and increased resources while the production of hoarded money and its application to the development of the country, coupled with an improvement in the economic position of the people, must result in an increase in their purchasing power and in the expansion of external and internal trade.

7. *Improvement in agriculture.*—In no direction, is co-operation more full of promise than in the improvement of agriculture. From the first it has enabled cultivators to grapple with the difficulties caused by bad finance and an undeveloped system of rural economy, but during the last two or three years it has begun to show how it can assist them in win-

ning a better living from a reluctant soil and treacherous seasons. In time of need, Government has never been backward in helping the peasant. Loans for the purchase of seed and cattle have been generously given ; lenient treatment has hastened recovery from seasonal disasters ; and by the greatest gift of all—irrigation—the liability to such disasters has been prevented over large areas. But more helpful than any of these gifts is the teaching which the Agricultural Department is setting before the people. The field, however, is so wide, and the skilled workers so few, that mere departmental efforts can never suffice to bring home to every cultivator the benefits that agricultural science offers. It is here that co-operation has stepped in. It has, in some provinces, provided the means whereby, as each improved variety is perfected and made ready for use, seed can be conveyed from the Government farm to every village over large areas and can be multiplied a thousandfold ; it has enabled the purity of the seed to be maintained, and the best price to be secured for produce ; it has placed within reach of the cultivator cheap manure and implements tested and approved by experts ; it has supplied to cattle breeders bulls of superior strains for the improvement of the village herds ; and it has provided the means by which useful information can be disseminated.

The association of co-operation with agricultural improvements may assume different forms. In one place the co-operative society may perform the functions of an agricultural association ; in another agricultural societies or unions may have a separate existence, but may work in the closest touch with the co-operative movement. But wherever agriculture and co-operation have experienced the assistance which each can derive from association with the other, they are fast developing a truly organic connection and there can be little doubt that before many years this will be the case throughout India. It has indeed been stated by outside observers that the efforts of these two departments have made a deeper impression on the life of the people than any of the other measures which Government is engaged in promoting.

8. *Educational value.*—But these direct economic improvements are not the only benefit which co-operation is conferring on the country. Co-operation has been, in the widest sense of the term, education, both intellectual and moral. When men are associated for business purposes, they feel the need of education. There are tangible reasons for learning to keep accounts, to sign pro-nos, to read pass-books and receipts, and knowledge of this kind must lessen the chances of fraud while members who are able to read simple co-operative literature will take a more

intelligent interest in their society and in the progress of the movement. Illiteracy is a hindrance to the movement, and just as co-operation leads to a demand for literacy, so literacy encourages the demand for co-operation. The effect of co-operation, however, extends beyond this. It does more than merely provide cheap credit ; it encourages thrift. The criterion for admission to a society is a man's character and not his wealth, and men, when brought together for their common weal and when pledging their common credit, have influenced each other's conduct and advanced each other's interests in ways previously undreamt of in this country. The fact that the members are ultimately responsible for the payment of the debts of each and every member, operates as a powerful check on expenditure on unproductive purposes greater than that absolutely required by public opinion, and marriage expenses have accordingly been curtailed. Drunkards and gamblers have been reformed or excluded from societies. Self-restraint, punctuality, straightforwardness, self-respect, discipline, contentment, and thrift, have been encouraged. In some areas litigation has markedly decreased. In others the common funds have been used to start schools, to provide scholarships, to distribute quinine, to provide drinking wells, to clean streets. The impetus of co-operative credit has led on to saving banks, benefit funds and provision for the poor. Those who have first-hand knowledge of co-operative societies are emphatic in their appreciation of the change which the movement is making in the character of the people affected by it, and it is important to bear in mind that co-operation is not merely a device for obtaining cheap money; or for increasing the economic resources of members, but is also a potent educational influence and, as such, is deserving of the warmest support from those who have the welfare of the people at heart. The managing bodies of the societies have frequently been entrusted with the arbitration of disputes and with other duties which belong to the traditional village panchayats, and there is some reason to think that the continuity of aim, and the solidarity of feeling inherent in the movement, may lead to a revival of the corporate village life which has been so weakened by the disintegrating influences of modern times.

9. *Co-operative credit chiefly for small agriculturists.*—In India, as in Europe, the greatest obstacle to economic progress has been the difficulty of obtaining capital at reasonable interest for peasant agriculture and for small industrial enterprises, and the foundation of the whole structure of co-operation, both in India and in Europe, has been the credit society. The provision of credit for large landowners is a marked feature of co-

operation in some European countries, and there are no doubt openings in India, towards which the Registrars of several provinces have already been feeling their way, for organising the credit of the larger landed proprietors. But an organisation of this kind rests on an entirely different footing from that of the ordinary credit society, and it is unnecessary to refer to it further in this Resolution. The Indian Act of 1904 was admittedly intended to encourage 'small and simple credit societies for small and simple folk with simple needs' and these still constitute the vast majority of the societies which have since been instituted. To those not conversant with co-operative ideas the result may often appear trivial. The average number of members in a society in this country is 45 only, and the average working capital of a society does not exceed £290 the actual figures in many societies being of course often far smaller than these. There are indeed societies the capital of which is counted in lakhs, but some of them have commenced from petty beginnings of twenty and thirty rupees, and the strength of the co-operative movement rests in a large number of small but strong societies. Some 600 credit societies are concerned with classes and industries other than agricultural, the proportion of such non-agricultural societies being largest in the United Provinces, Bombay and Mysore. These societies are mainly for the benefit of the poorer classes of artisans, weavers for the most part, but others, such as carpenters, blacksmiths, shoemakers, etc., are also represented. Similar societies have been formed for clerks in offices, and they have lately been tried also in regiments in the Indian Army. The great bulk, however, of the twelve thousand credit societies in the country are for the benefit of the agricultural population, and the chief object held in view from the beginning has been to provide reasonable credit for small agriculturists, who represent the backbone of the Indian polity. The problem of agricultural credit has been looked on as more urgent than that of industrial credit, and the efforts of Government have been mainly devoted to the relief of the small agriculturist.

10. *Effect on money-lenders.*—The small agriculturist has hitherto been dependent for his funds on the small money-lender. It cannot be expected that the small money-lender, who takes great risks and who has to make his living, can lend at a low rate of interest. He has in many instances made unfair use of his superior intelligence, speculating as he does in ~~the~~ honest borrowers he insures himself against loss by making the honest borrower pay, and the evil traditions of past generations of insecurity have probably led to higher rates of interest being

charged than are now reasonable. The extension of co-operative credit entails—and is meant to entail—the discouragement of direct dealings between the money-lender and the peasant. So far therefore as the money-lender depends on money-lending for subsistence, he finds the extension of the movement inimical to his interests. He loses some of his customers, and to retain the rest he has to reduce his rates of interest. It is not surprising therefore that he should, in many instances, have placed obstacles in the way of co-operation and, in some cases, even organised combined opposition to it. Cases have indeed been known in which Government servants related to, or sympathetic with, the money-lending classes have in their official capacity obstructed the progress of co-operation, and any cases of this kind when brought to light and proved should be dealt with seriously. But although co-operation must necessarily interfere with the business of the small money-lender there is no reason why he too should not participate in its benefits. In the past he has fulfilled a useful function in the rural economy of the country, and if he accommodates himself to circumstances he will continue to do so in the future. It is to be hoped that he will soon realise, as in many places he has already realised, not only that co-operation has come to stay and that it is useless to oppose it, but also that it has a useful and not unremunerative place in its constitution for all the old local banking agencies. The loan business of co-operative institutions is restricted to particular channels and protected by peculiar safeguards ; it also courts full publicity and should therefore prove attractive to money-lenders and others who have funds to invest. It is always open to the village banker to invest his funds either in the village societies or in one or other of the various central agencies, and these will afford him a scope for investment much less speculative than the traditional banking business of the village, while the increased wealth of the villagers will, in the end, open up many opportunities for the profitable utilisation of his capital.

11. *Reasonable credit.*—The object of co-operation is to obtain reasonable credit from reasonable creditors. This is not necessarily cheap credit and the rates of interest which represent reasonable credit vary very widely in different parts of India. A rate which would be considered extraordinarily low in Upper Burma would often be looked on as extortionate in parts of Gujarat and Madras, and it is no part of the functions of co-operation to reduce too rapidly the rates of interest to a uniformly low level throughout India. No doubt, as the movement strengthens, the rates of interest will everywhere tend to fall, and the

process is taking place before our eyes. But a debtor who has been accustomed to high rates can only be trained to thrift by gradual relief, and the sudden opening up of facile credit has too often led to his ruin. It is very desirable that societies should be financed to a large extent by local capital, and deposits from members or from the local public cannot be expected at rates markedly lower than are obtainable in other forms of investment in the neighbourhood. If, moreover, money is lent to members of societies at rates much below those prevailing in the area affected, there is the danger that money borrowed by members will be lent out again at higher interest. It is accordingly found that credit is afforded by societies at very different rates in different parts of India, but so long as the credit in its relation to local conditions is reasonable, it cannot be pronounced excessive.

12. *Types of society - Raiffeisen and Schulze-Delitzsch.* The principal object of the credit societies being, then, to provide reasonable credit for small agriculturists and small artisans, there are various systems under which societies can be organised to attain this object. Speaking broadly there are two main lines on which societies can be constituted, and these are known by the names of their originators, Raiffeisen and Schulze-Delitzsch. The Raiffeisen societies are mainly for agriculturists and are often spoken of as 'rural banks,' while the Schulze-Delitzsch societies are primarily for artisans and are described as 'people's banks'. There are many points, both of principle and of detail, in which the two classes differ, but three only need be considered here, viz., (i) the area of operations, (ii) the liability of members, and (iii) the treatment of profits. In the rural or Raiffeisen banks members are selected from a very limited area, their liability is nearly always unlimited, there are usually no shares (or if there are shares their value is very small), and there is no division of profits. In the people's or Schulze-Delitzsch banks, on the other hand, the operations of the society may cover an extended area, liability is usually limited, and the members have shares and receive fairly high dividends. These are the two main types of society known in Europe, but there are many variations from these types both in Europe and elsewhere. Among these may be mentioned the 'people's banks' of Italy organised by M. Luzzatti somewhat on the lines of the Schulze-Delitzsch societies but with limited liability in all cases and with smaller shares. In India, where societies have been started primarily for agricultural needs, they have, for the most part, conformed to the Raiffeisen type, but European models have not been slavishly copied, and in a new soil, and with new conditions, there has been no hesitation in departing

from recognized types ; uniformity has not been attempted and one of the most marked feature of the Indian system is its elasticity. By frequent conferences among themselves the Registrars have kept in touch with the essential principles of co-operation, and so long as these principles are maintained, there can be no objection in adopting a considerable diversity of types.

13. *Area of operations.*—As credit, which is denied to the individual, becomes accessible to the society because the joint security of all its members is offered, each member must be responsible for every other member and this in fact and not merely in name. They must therefore be personally acquainted with one another and be in a position to exercise mutual control in their transactions with the society. It is true there must be no such artificial limitation in membership as would lead to the society becoming a close corporation, but there must be such a limitation as will ensure that the society is based on the principle of mutual responsibility. For this reason it has been found necessary, as a rule, to require that all the members of a society shall be residents of the same village. It is a sound general rule that there should be only one village in a society and only one society in a village. But to this there are exceptions. Where, for instance, a group of villages can conveniently form a co-operative unit they may without objection be served by one co-operative society. Where persons scattered over large areas are for any special reason so thoroughly in touch with one another that they are able and willing to be jointly responsible, the condition of propinquity is not absolute, and the law accordingly allows that members of the same tribe, class, caste or occupation, even if not resident in the same village or group of villages, may become members of the same society. Similarly, it is permissible to have more societies than one in a single village in cases where a village is so large that all the residents are not mutually acquainted, or where a village is so divided from any cause that one set of residents could not be expected to be jointly responsible for another. But the essential principle remains that societies should ordinarily consist of members so closely in touch with one another that they are willing to be, and can be, both in name and in fact, jointly responsible.

It is for a similar reason that the formation of societies in which one or two men of means have associated themselves with a number of poor and ignorant members has often been deprecated. In such cases there is the danger that the bulk of the members will have no common interest and feel no mutual responsibility. So too, where there are borrowers and lenders in the same society, a conflict of interests may easily arise

and, for this reason, societies of poor agriculturists will often refuse to allow the local money-lenders to be associated with them. Where, however, the motives of the monied applicant for membership are not open to suspicion, and where it is beyond doubt that he desires to assist the society by actual participation in its work, and that he has identified himself with the interests of the members, there can be no objection whatever to his admission. It may also sometimes be advisable for different classes of artisans, who need credit at different seasons, to join in one society and so supplement each other's wants. But it is a sound general principle that the members of a society should not only come from a restricted area, but should also represent a community of interest, and it is, as a rule, better that outside helpers should lend or deposit rather than purchase shares or lend their names as members.

14. *Form of liability.*—In the absence of special orders, passed by the Local Government under the Act, the liability of the members of an agricultural credit society in India must by law be unlimited, and, as a matter of fact, this form of liability prevails in practically all such societies in the country. Even among non-agricultural societies, where limited liability is permitted by law, about half the number are on an unlimited basis, and experience has shown that unlimited liability constitutes, as a rule, the only means by which individually poor people with small security to offer can obtain money on reasonable terms. It was at first very doubtful whether the idea of unlimited liability would be accepted by the people, and many experienced persons anticipated insuperable difficulties on this ground alone. The instinct of association, however, is familiar to the Indian mind, and the principle of unlimited liability has been accepted without demur. Unlimited liability is, indeed, better understood in the villages than limited liability, and for rural credit it constitutes the main basis of co-operation in this country. In joint or central societies, of which one of the members is a registered co-operative society, limited liability has been laid down by law as the usual rule, while in the case of urban banks, although a choice is allowed, this form of liability is suitable as there is usually less cohesion among the members and more business faculty.

15. *Shares and profits.*—The holding of shares and division of profits are contrary to strict Raiffeisen principles. Shares are usually associated with profit-making concerns, and one of their chief purposes is to limit the liability of members ; while profit-sharing naturally leads to profit-seeking. Consequently, the policy with regard to co-operation in this country, which is mainly based on Raiffeisen principles, has hitherto dis-

couraged both the holding of shares and the division of profits. But as experience has shown, both in India and in Europe, that societies of too austere a type do not always succeed in attracting members, it has been found necessary, under proper precautions, to depart from the Raiffeisen traditions, and in Madras, for example, societies are based largely on share capital, while a modified system of shares and dividends has been adopted in the Punjab, in the United Provinces, and in Burma. This system is one which was devised to a large extent by the peasants of one of the Punjab districts, and it does not conform strictly to that of any of the types of society known in Europe. Under this system, as practised in the Punjab, each rural society has a share capital which the members subscribe in instalments spread over ten years, members who join the society after the first year being required to pay up such instalments as they would have paid had they joined at the beginning. Until recently members could withdraw their shares after the bank had been in existence for ten years, but a new bye-law has now been introduced making all shares subscribed in future non-returnable. The profit earned on a share is not distributed, but, at the end of ten years, the accumulated profit is, after deducting one quarter for reserve, added to the value of the share, and on the increased share thus formed, a dividend will thereafter be paid. After ten years a society will thus have acquired a capital composed of the shares subscribed together with the profit earned. To this capital will be added each year at least one quarter of the annual profits. The ordinary type of agricultural society in the United Provinces and Burma is now based on somewhat similar lines, and the success attained by co-operative credit in provinces which have introduced shares and a division of profits makes it necessary to adopt a somewhat less rigid attitude towards these methods than has hitherto been the case. There can be no question that it should be one of the first objects of a society to form a capital of its own so as to be, so far as is possible, independent of outside assistance. Deposits—even those of members—are liable to become a source of danger in times of financial stress, and it is clear that the more a society employs money of its own, which cannot be withdrawn, and the less it has to depend on the money of others and on money which can be withdrawn, the stronger will be its position at a time of economic strain. Provided, therefore, that shares do not imply any limitation of the liability of members, they undoubtedly form, together with the reserve fund, a valuable part of the assets of a society. They also offer an incentive to thrift and may very well form a provision against old age or misfortune. Division of profits is a matter which is more

open to objection ; but, if there be shares, a reasonable dividend may without objections be paid, and it is not altogether logical to refuse a dividend on the shares of members, while allowing them interest on deposits. Rather, the member who puts his money permanently with the society would seem to be more deserving of a reasonable return on it than the member who merely puts it in for a time. The general conclusion appears to be that, in judging whether shares and a division of profits are advisable or not, it is necessary to consider the object for which they are introduced. If the object is the personal gain of the members, or of some of them, both measures are objectionable. But if the object is to increase the permanent resources of the society, and to offer only a moderate incentive to investment, both appear to be legitimate especially when it is remembered that sufficient legislative safeguards exist to prevent abuses. When a share system accompanied by a division of profits has been introduced, the Local Government has always the power to check undue profit-making by limiting the number of shares which can be held by a member as well as by limiting the amount of dividend which can be paid. But societies so constituted require to be carefully watched, as it is above all things necessary to ensure that large dividends are not paid and that the mutual benefit of members, which is the primary object of co-operation, is the object kept steadily in view.

16. *Forms of security.*—So, too, as regards the class of security to be taken from borrowers, the main principles underlying co-operative credit, are the full mutual responsibility of the members and the profitable employment by them of the money they borrow. In all unlimited societies the whole property of the members is ultimately liable for the needs of the society. The security, however, both of the society against its members, and of outsiders against the society, is primarily the character of the members and only in a secondary degree their personal or landed property. A loan to a member is sometimes made on the borrower's personal security only, but it would appear to be more common to demand one or two sureties. The loan of money by societies with unlimited liability on the security of movable property is discouraged by the law, and a Local Government may prohibit or restrict the lending of money by a society on the mortgage of immovable property. In practice it is rare to find movable taken in security, and mortgages cover a tenth only of the loans given out. In provinces where there are records of rights in land, the amount of each man's property, and the encumbrances on it, are easily ascertained, so that specific mortgages are less necessary,

while in some areas the credit obtainable on mortgage from the outside market is already as cheap as can be obtained from co-operative societies. Where, as is usually the case, the loan secured by mortgage is for a long term, there are objections to locking up capital in a form which is not readily available. There is, however, no absolute rule against mortgages, and in some provinces, such as Madras and Burma, where land has always been pledged, this form of security is frequently resorted to, and the fact that his property is mortgaged serves to emphasize the exclusive liability of a member to his society. Mortgages are useful in areas under new colonization where the borrower has little or no security beyond his land to offer, and they are often employed to release a member from a previous usurious mortgage by the substitution of another to the society on milder terms.

17. *Previous debts.*—A question is in this connection sometimes raised : should a member be admitted to a society who is not free from outside debts ? The only answer that experience admits of being given is that until a member has been freed from outside debts, a society is not performing its full functions, but it is a counsel of perfection to expect that no one shall be admitted as a member unless and until his outside debts have been paid off. There are, of course, extreme cases in which a man is so indebted that there is no hope of his debts ever being cleared off, and in such a case the proper course is to refuse him admission to the society. But there are many cases, including some that at first sight may appear hopeless, in which the societies can do much. The panchayats in charge of societies have in many cases undertaken the part of conciliators, and, by offering immediate payment, have secured considerable remissions of claims from creditors. A full disclosure of existing debts is a necessary preliminary to admission and there is sometimes in practice considerable difficulty in ascertaining the full extent of a member's unsecured debts, but proposals have been put forward for investing the societies with power to call on creditors to file claims by a fixed date on pain of lapse, and if these should be approved, societies will be materially strengthened in dealing with the outstanding debts of their members. It is indeed to co-operation, more than to any other measures, that recourse must now be had in the attempt to solve the difficult problem of rural indebtedness in this country, and co-operation has advantages which most of the schemes put forward with this object do not possess. It is applicable not only to the classes which possess land but also to others. It makes it possible to reduce outstanding debt without extravagant expenditure of public money. And—what is most impor-

tant of all—it ensures that the debtor, when cleared of debt, shall be put in a way of life which discourages debt and thriftlessness in the future.

18. *Object of loans.*—Another important matter regarding which doubt has at times been expressed is whether it is justifiable for a society to lend to its members for other than productive purposes. This was considered when legislation was undertaken, and Government has deliberately refrained from placing any restrictions on the objects for which loans are granted. Apart from the fact that it would be impossible to devise any complete check on the expenditure of a loan, or to say from what sources the money spent on any particular object was derived, it would be suicidal for societies to place any absolute prohibition on the grant of loans for unproductive purposes. The society occupies the place previously held by the money-lender, and it must give loans for all purposes for which loans are essential, including any social expenditure required by public opinion, and if it failed to do this, it would only encourage its members to resort to money-lenders. It has been found by experience that members being jointly and severally responsible for one another will take care that the amount spent on social requirements is not in excess of that prescribed by public opinion in the village, and the dictates of the society in such matters are in most cases cheerfully accepted by the borrower. It has indeed been said, and with much truth, that by lending money for ceremonial purposes societies 'close one of the high roads to insolvency.' While, however, loans are granted for non-productive objects it is an almost universal practice for societies to insist in giving a loan that they should be informed of the object for which it is required in order that they may satisfy themselves as to its necessity, and, as a matter of fact, comparatively few loans are taken for unproductive purposes. It is also necessary that when a loan is granted for a particular purpose the society satisfy itself that the money has actually been applied to the object for which it was borrowed.

19. *Concessions to societies.*—The extent to which societies receive or should receive direct support, financial or administrative, from Government is a matter which is considered below. There are, however, certain methods by which co-operation may legitimately receive indirect assistance. Just as the whole organization has been exempted from the detailed formalities of the ordinary commercial law of Companies, so too it has been found advisable to allow of the remission in certain cases of such charges as stamp duties, income-tax and registration fees. The working of societies is further facilitated by allowing the despatch of their money in some instances through the Government treasury; Government

may help by subscribing to co-operative periodicals ; it may go further and allow to societies, as it does in the Act, a prior claim on the debtor's property ; or it may exempt shares from attachment. But while Government has been anxious to remove unnecessary obstacles from the path of co-operation, it has been no part of its policy to render the movement dependent for its progress on Government tutelage. When, for instance, it is asked—as it frequently has been asked by many earnest supporters of the cause—to allow the societies a special summary procedure for the recovery of their debts in place of the slow and expensive methods of the course it has withheld its sanction. Although defaults through fraud are exceedingly rare, it would be mistaken kindness to confer upon societies arbitrary powers of recovery, and if in the absence of such powers a society cannot by means of the joint security given and its own moral authority, collect its debts, the failure is due to a careless selection of members in the first instance or to lax management. Whether or not special methods might be justified in the case of recoveries at the time of liquidation, or when suits are brought by central banks against their constituent societies there can be little doubt that if individual societies could employ such methods in dealing with their members, they would be encouraged to become careless in administration, and to neglect the vital principle that admission should be refused to those who cannot be relied upon to fulfil their obligations.

20. *Funds of societies.*—The funds of societies are derived from various sources, and the proportions in which these sources are tapped vary in different parts of India. For agricultural societies generally the four main sources of income are the share capital, the deposits of members, the loans and deposits from non-members, and loans and deposits from other societies, and the percentage of the total working capital represented by each of these heads of income is that indicated in

<i>Shares</i>	...	...	...	13	the margin. Leaving out of account the money received
<i>Loans and deposits by members</i>			...	10	from other societies (that is
<i>Ditto by non-members</i>			...	11	
<i>Ditto from other societies</i>			...	58	to say in the main from the central societies described in

paragraph 23 below) it will be observed that members themselves contribute in the form of shares, loans and deposits about twice as much as outsiders. As indicating the stimulation of thrift this result is, from the co-operative point of view, satisfactory, and it is in some respects better that members should raise their own funds. On the other hand it is a satisfactory test of the progress of a society if it can show that it has

enlisted the confidence of the public. The essential point, however, is that funds should be received in such a form that the society will receive adequate warning before they are withdrawn, and from this point of view there are advantages in receiving money in the form of shares. Similarly as between deposits, there is an obvious advantage in long term deposits as opposed to those received on short terms or on current account. There is no complete information regarding the ordinary length of term for which loans are given to members by societies in different parts of India, and it would be convenient if in future Registrars would include such data as are available on this subject in their reports. Generally speaking, however, loans, whether made in the first instance for short terms only, or for long periods, are usually repayable after the time of harvest. And just as loans are ordinarily repayable after a harvest, so too the demand for loans is for the most part concentrated into a period corresponding with the commencement of the sowings for the chief harvest of the year, and it is necessary that the system on which deposits are received should accommodate itself so far as possible to these circumstances. To a certain extent this can be done by utilising the credit available from central societies, but it is also necessary that individual societies should provide, so far as possible, that funds may be available when they are most in demand by regulating the ordinary length of term for which deposits are received.

21. *Repayment*.—The ability and willingness on the part of the members of credit societies to repay loans is a prime factor in the establishment of public confidence in the co-operative movement. Forethought, thrift and business methods are not characteristics of the classes for whose benefit co-operation is intended, and in the early years of the movement it would not have been surprising had the members of credit societies shown shortcomings in the matter of the repayment of their loans. On the whole, however, judging by the results, repayment seems to have been satisfactory, delay being due rather to want of the business habit and to the difficulty experienced by Registrars in laying down a definite system of instalments for repayment than to any desire to shirk obligations. Now that experience has been gained it would be well if, so far as is possible, a definite system of repayments were prescribed. Uncertainty in this matter may lead to carelessness on the part of borrowers, to slackness and partiality in management, and so to the 'eternalisation' of loans.

22. *Reserve fund*.—As a test of financial stability the importance of the reserve can scarcely be over-estimated. It supplies a source of

income which may be drawn upon in lean years ; it fortifies outside confidence and so attracts deposits ; it protects members from money payments under their unlimited liability ; it cheapens credit ; and, perhaps, most important of all, it binds members together. The law contemplates that at least one-fourth of the profits shall be credited to the reserve fund, but it should by no means be considered necessary or desirable, even in share societies, to restrict the income of the fund to this figure. Stated in the order of their importance profits are available for three main objects, the building up of a reserve, the reduction of the interest demanded from borrowers, and the distribution of dividends to members. Regarding the manner in which the reserve should be employed there has, however, been some difference of opinion. Some hold that the reserve should always be separately invested in a central bank or other outside institution, and that unless this is done it is impossible to obtain the additional outside confidence which it is one of the functions of the reserve to secure. Others contend that so long as a higher rate of interest can be obtained by lending it to members it is better business to utilize the reserve in the ordinary work of the society, and where, as is the case in some provinces, the margin of interest is large and the reserve fund grows rapidly, the use of the reserve fund in this way enables the society to dispense with outside loans and deposits. In Madras and the Central Provinces the reserve is usually invested separately, while in the other large provinces it is freely used for the ordinary business of the societies. There can be little doubt that though in the earlier stages when working capital is small, the reserve may fairly be used to supplement the working capital, it should be invested when any considerable amount has been accumulated and efforts should be made, as the working capital increases, to conform by degrees more closely to this practice. The agricultural societies in India now possess a reserve of 10 lakhs or $3\frac{1}{2}$ per cent. of the working capital, but no information is available to show in each province how much of this is separately invested, or what portion of the amount set aside as reserve may have been excluded from the above figure on account of its employment in the ordinary business of the societies. It may be remarked that in the German Raiffeisen banks the reserve constitutes $2\frac{1}{2}$, and in the Schulze-Delitzsch banks $6\frac{1}{2}$ per cent. of the working capital.

23. *Central societies.*—As societies increase in number it has been found advisable in India, as in Europe, to group them together for purposes both of control and of finance. By federating themselves under

a joint central institution, societies provide themselves with an excellent agency for mutual inspection, and it is a mistake to suppose that inspection by such central agencies, even when no financial control is involved, in any way impairs the independence of the societies. It must, moreover, be recognised that just as members of an individual society obtain increased confidence and credit by mutual control, so too societies are able by combining with one another to obtain a similar increase of confidence and credit. These combinations of societies are classed in the published returns under the generic name of central societies. But they are not constituted on uniform lines throughout the country. Sometimes the combination is for no other purpose than the inspection and extension of the societies, and in such cases it is properly called a Union. Such a Union may have no connection with finance beyond the provision of information to a financing body, or it may, as in Madras, the Central Provinces and Burma, so far extend its functions as to guarantee the security of the societies which constitute it. In some areas, notably in Bihar, the United Provinces and Bengal, the Union both inspects and finances its constituent societies and is then spoken of as a Banking Union. Or again, the central institution may finance only without inspecting, and such a body constitutes a central bank in the more restricted sense of the term. There is no uniform organisation for these financing bodies, as the societies which they support are not uniformly spread over the country ; but there is a tendency to group the societies of a tahsil, taluk, sub-division or district under a central financing institution, known either as a central or a district bank. It is a matter of some importance to recognise the right moment in the development of co-operation at which one of these central agencies should be established. A society cannot attain its full measure of usefulness until it is federated with, and assisted in some way by some central agency, but if central banks be started prematurely, they are apt to become mere forcing agencies for the artificial creation of affiliated societies. In India the structure has been built upwards from below, and for this reason it has been found advisable to discourage the formation of scattered societies at long distances from one another and to concentrate the movement, allowing it as much as possible to expand from centres in which it has found a congenial soil. It is gratifying to know that as a result of this policy there are already whole districts in India where there is one co-operative society for every three or four villages.

The formation of central societies was not contemplated in the Act of 1904. It was supposed that the capital for rural credit societies would

largely be supplied through the agency of town societies, and even when the central system was started, it was the practice in some areas to treat the constituent societies as branches of the central society rather than as independent though affiliated units. The status of central societies has, however, been fully recognised and provided for in the Act of 1912. These institutions are sometimes constituted with societies only as members, but in many cases individuals also, and in some cases individuals alone, are admitted to membership. They are treated as co-operative societies under the law, but on a basis of limited liability and about half the individual societies in India are now shareholders in central banks, although assistance is also given by some banks to societies which are not shareholders. In some areas it has been advisable to define the liability of the constituent societies by limiting it to some multiple of their shares, and it would possibly be an advantage if this or some similar plan were adopted generally. It would also probably be well if local Governments were, at the present stage, to avail themselves of the permission given by the law to limit the rate of dividend in the case of central societies, so as to prevent any tendency on the part of such banks to subordinate the interests of the constituent societies to their own. It may be objected that societies are at present unduly dependent on these central agencies for their funds, but the system has its advantages. The administration of the central societies, being more on the lines of joint stock business, requires expert management and they have usually opened a connection with outside joint stock institutions by means of deposits or cash accounts. They are themselves largely dependent for funds on shares and debentures, and are thus in a position to provide the individual societies with a fair proportion of funds for long term loans as well as to allow current credits for current wants. The ideal to be aimed at is that rural societies should raise locally what capital they ordinarily require, and that central banks should make good any deficiency in the supply of local capital. A time no doubt will come when local capital will be the principal source from which funds are derived, but at present the main function of the central banks is to enable individual societies to obtain and consequently to lend out money on easier terms than are available in the open market, and it is in this respect that they are able to give to the societies a marked advantage over the local money-lenders. Under the system of village finance hitherto prevalent in India, the village money-lender has almost always been dependent on his own resources only, and has dealt with a limited clientele. Apart, therefore, from all other considerations the rates of interest which he charges are consider-

ably higher than those at which a society acting in combination with other societies and working in touch with the general money-market of the country can profitably lend money. By bringing the borrower into touch with the outside money-market, central societies are fulfilling a new and important function and they provide also the machinery which by the excesses and deficiencies of their constituent societies can be balanced.

24. *Provincial banks.*—In themselves, however, the central banks cannot completely fulfil this function. Their range is necessarily limited, and they are subject only in a less degree than the individual societies to vicissitudes of season and fluctuations in the demand for money. They in their turn require further agencies from which they can obtain money in the busy months and through which they can utilize it in the slack season. It is possible to some extent to obtain the necessary help by means of loans from or cash credits with large joint stock banks, but by a combination on co-operative principles among the central banks themselves an additional advantage in the way of increased credit is secured. It has, therefore, in several provinces been found necessary to establish banks dealing with an area larger than that covered by the ordinary central bank. In Burma, the business of one of the central banks is so considerable as practically to cover the whole province and to constitute it a provincial institution. Elsewhere, as in Bombay and the Central Provinces, special Provincial Banks have been organised and the establishment of similar institutions in other provinces is probably only a matter of time. The Bombay Bank, which was started in 1911 by a number of prominent men of business in Bombay, may issue shares to the value of 7 lakhs in the first instance. With this fund as a basis of credit it may issue debentures carrying interest at the rate of four per cent. per annum, to an amount not exceeding three times the paid-up capital and interest at this rate has been guaranteed by the Government of Bombay. The bank lends to co-operative societies only and loans are made to societies direct, more especially in connection with the development of sugar cultivation on the Nira Canal. The Provincial Bank in the Central Provinces was established in 1912 without any official guarantee, and is an institution dealing with central banks only. It has a capital of six lakhs and should prove a useful link between the ordinary commercial banks and the chain of co-operative banks in the Central Provinces, though it has, hitherto, been successful in raising locally its own capital. But although the operations of banks of this kind are confined to a single province, it is obviously opposed to the best interests

of the movement that they should compete in attracting deposits, and Registrars might usefully arrange not only that there may be no overlapping in this respect, but also that the excess funds of one bank may be available for use by another. The responsibilities introduced by the addition to the co-operative organisation of central and provincial banks are of a serious character. To supervise the relations of such institutions with the money-market on the one hand and with their constituent societies on the other is a task which requires a considerable degree of technical skill and the administration of the whole co-operative movement in the stages above that of the individual society is a matter which must in the immediate future engage the serious attention of Government and of the people.

25. *Inspection and audit.*—The establishment of these central agencies even in the lower grades has introduced a new business element into the movement, and the administration of co-operative credit must in future present many more difficulties and complexities than in the past. Hitherto the ordinary staff, both official and non-official, has been sufficient for the purposes of inspection and audit, but the question how far special training and expert assistance are required to deal with the larger central institutions and the problems they involve will shortly have to be faced. It is already necessary in the case of some of these institutions to entrust the audit to outside expert agency, but in the main the audit and inspection of societies is carried out by a staff entertained for the purpose either by Government or by the central agencies themselves. In most of the agricultural societies, the local administration is entirely or almost entirely gratuitous ; accounts are ordinarily of a very primitive character, and cases have indeed been known where, in the absence of literate assistance on the spot, accounts have been prepared by the inspecting staff. Even in the less primitive associations the duties of inspection and audit are not regularly differentiated, and both of these duties have usually to be combined with the task of answering enquiries from outside and extending knowledge of the principles of co-operation. The staff is at present a small one—from 200 to 300 in all—but its duties are of great and increasing importance, as it is upon close inspection and trustworthy audit that the success of co-operation must largely depend.

26. *Forms of co-operation other than credit.*—The above considerations, though intended primarily to apply to credit societies, are largely applicable to other forms of co-operation. Societies other than credit societies were first formally recognised by the Act of 1912, and there has not yet been time for any great development of this form of co-operation.

According to the latest data, there are now in India some 170 non-credit societies, of which about half are agricultural in character, and they have been formed in order to secure for the humbler classes of the community those advantages in industry and agriculture which the masters of capital derive from the organization of labour, the use of costly machinery, and the economies of business when carried out on a large scale. The management of such societies, dealing as they do with the sale and purchase of articles and the insurance of animals and produce, involves a class of problems far more complex and difficult than those which arise in ordinary agricultural credit. Their ultimate importance to the country may be immense, possibly greater even than that of credit institutions, but at present they are in their infancy. They are a necessary corollary to improved credit, but credit is the first essential and until a system of credit has been firmly established in a province, it would be dangerous to encourage too rapid development on other lines. It has indeed been suggested that the establishment of such societies should always be preceded by some kind of agricultural or industrial survey of the economic needs of the people, and the suggestion is worthy of careful consideration. The application to agriculture of this form of co-operation is at present almost entirely confined to Burma, where societies have been started for the production and sale of rice and other crops, or for the insurance of cattle. The latter class of enterprise is one which is attended with special difficulties owing to the absence of reliable data regarding cattle mortality on which the premia can be calculated, and to the very limited extent to which veterinary assistance is available and it has been recognised in Burma that in any system of cattle insurance there must also be some central organization and means for reinsurance in order that local societies may not be ruined by local calamities. In the industrial sphere there has been somewhat greater scope for co-operative societies other than those framed for the improvement of credit, and most of these are societies for the purchase or for the purchase and sale of articles. As in the case of credit, it would appear that the most promising field for industrial co-operation lies in the improvement of the condition of the weaver community, and in some provinces a beginning has been made by establishing societies of hand-loom weavers who, by joining together, are able to purchase their yarn and to sell their cloth at more favourable rates than are available to an individual workman dealing with a middleman. Other enterprises have, however, been started in connection with the improvement of sugar production and of milk, the supply of stores and so forth, and the institu-

tion of building societies has been a special feature of the co-operative movement in Mysore. In all these directions the people are still feeling their way, and co-operation of the kind is still in an experimental stage. There are, however, two principles which may be laid down as the result of the experience hitherto gained. In the first place it is desirable that the management of each class of work should be kept distinct, either by the establishment of separate societies, or, if that is not feasible, by the appointment of separate sub-committees for each branch of work, separate accounts and separate annual balance sheets being prepared and presented before being incorporated in the general returns of the society. And, secondly, although these societies are meant primarily for the benefit of their own members, it is sometimes advisable to allow non-members to deal with the society, and there are indeed areas where, without an outside clientele, the operations of the society would be so restricted that it could not have been started with any hope of success. Where, however, a society includes non-members among its customers, it is always open to it to offer more favourable terms to its own members.

27. *Relations of Government to the movement.*—The relations of Government to the co-operative movement have been criticised from two opposite points of view.

On the one hand, there are some who contend that the movement, beneficent as it is, is essentially one for the people to work out on their own lines and that Government interference at any stage is uncalled for. Whatever limitations, however, may be suitable as regards the assistance of Government in European countries (and in no country is the movement entirely independent of Government aid), it is certain that in India without initiative and help from Government co-operation would still be unknown. Government alone was in a position to supply the knowledge and organization necessary to start the work and Government alone is able by its association with the movement to create the outside confidence necessary to give it stability. Registrars are not, and are not intended to be, merely registering officers : they are also expected to provide supervision, assistance, counsel, and control. It is not to be imagined that societies will become perfect models of co-operation on formation and it is necessary that Government, through its own and the societies, staff, should continue their co-operative education long after they are registered. Unless a society is co-operative in fact as well as in name—and it can only be so if all its members understand the main principles—it is a fraud on its members and on the public. The fact, too, that societies, though primarily self-contained and self-governed, are subject to

supervision by Government officers, has an important effect in attracting public confidence, and the benefits thus accruing to the country at large fully justify the expenditure of public money on official supervision. Lastly, the co-operative movement by bringing the officers of Government into close touch with the people in economic matters, provides opportunities for developing those closer relations in other respects which it is so desirable to foster.

But just as there are some critics who deprecate Government assistance, so too there are others, both non-official and official, who plead for a far greater degree of Government intervention than has hitherto been permitted. They urge that in order to touch more than the fringe of the population, a far more rapid rate of progress is called for, and that unless the Government staff be largely increased, and unless active measures be taken by Government to propagate the movement, its effect must be small and its progress slow. This too represents a policy with Government has not felt itself at liberty to adopt. Not only is it the case that work done by a large centralized department tends to become mechanical and listless, but the movement must in its essence be a popular one and nothing should be done to weaken the feeling among co-operators that it is based upon self-reliance and independence. Government, therefore, in the best interests of the movement, must not allow co-operation in this country to become an official concern managed by State establishments.

28. *Financial aid—control and audit.*—The result is that Government has to steer a middle course, and this has been the policy adopted both as regards supervision and financial aid.

So far as financial aid is concerned, there has been intervention on the part of Government, but it has been of the slightest possible character. When co-operation was initiated ten years ago Government was urged to subsidize the new societies liberally and its apparent parsimony was criticized. But the evils of excessive liberality were fortunately foreseen and the restriction of State aid was due not to niggardliness but to the fact that in other countries experience had shown that unrestricted assistance was a dangerous and might be a fatal gift. It was decided, however, as in the early stages there was no immediate prospect of bringing societies into contact with the general money market, that, subject to equivalent contributions from the members, loans might be given within certain limits. But except in one or two provinces, where special reasons for help existed, Registrars have properly discouraged any undue reliance on such assistance, and the proportion of the total capital of societies represented by Government loans now scarcely exceeds 3 per

cent. Without these loans many societies would not have come into existence, and in fostering infant societies they have fulfilled a useful purpose, but events have fully proved the wisdom of the policy of avoiding excessive State aid and it is to the adoption of that policy that the inherent strength of the movement is largely due.

So too, as regards the difficult question of control and audit, it is recognised that these duties cannot be left entirely to the private agency of unions and central banks. It is desirable that this non-official agency should be utilized as much as possible and that purely departmental routine in the work of audit and control should be avoided, but the success of the movement would be endangered if this principle were carried out to an extreme. Without some degree of Government supervision Registrars would lose touch with the societies ; and the outside public, who depend largely on the information possessed by Registrars, and who value the scrutiny carried out by those on whom they rely, would lose that confidence in the financial position of the societies which it is so essential to maintain. Had this safeguard been neglected, it is doubtful whether societies would have escaped—as fortunately they have almost everywhere escaped—the evil effects of the recent banking crisis in India, and the circumstances attending that crisis indicate that any arrangement which would dispense altogether with Government supervision is impracticable. The audit, moreover, of a group of societies by a central society, whose own credit is bound up with that of the societies dependent on it, will not be accepted by the public as equivalent in value to an audit by an outside agency. It is necessary, therefore, that societies should be controlled and audited by a reliable staff which can keep the Registrar informed of the financial position of the societies, and it is also necessary that the agency employed should be such as will ensure the confidence of the money-lending public. The staff need not be paid by Government, and it is indeed as a rule better that societies should themselves be responsible for the payment of the controlling and auditing staff than that they should be indebted to Government for its services, but whether the staff is paid by the societies or not, it is ordinarily advisable that it should be appointed subject to the approval of the Registrars, and that it should remain under their general control. If by this or any other means the two main conditions above noted are satisfied—first, that Registrars should possess reliable information regarding the financial position of societies, and secondly, that the outside public should have confidence in the control and audit—it is an advantage that the number of Government officials employed should be

as small as possible, and every effort has been made to reduce to the lowest figure the agency directly employed by Government.

29. *Attitude of district officers.*—But while the movement must be essentially a popular one and while excessive official supervision must be avoided, it by no means follows that Government officials outside the circle of those directly connected with co-operation should hold aloof. It is true that the details of initiation and inspection should be left to the expert agency provided for the purpose, and it is no part of the duty of the district officer to intervene in the internal administration of societies. But as co-operative societies are no longer isolated experiments outside the sphere of district work, and as, beyond the material benefits which they offer, they represent an influence closely connected with the welfare of the people and powerful, now and in the future, for good or evil, the district officer cannot dissociate himself from the movement. On the contrary, a knowledge of co-operative principles and practice has now become as essential as a knowledge of revenue law and it is his duty to maintain the closest touch with societies, not allowing them to languish through want of sympathy or to develop on undesirable lines through want of vigilance. Without in any way becoming an active propagandist he should, personally and not through his subordinates, make himself acquainted with the progress of the movement in his district, encouraging and helping those who have formed themselves into societies, enlisting the interest and support of men of influence and wealth, and assisting with his advice those who seek to avail themselves of the benefits of co-operation. This in no way involves the officialising of co-operation, nor does it trench upon the essential principle that the movement, if it is to succeed, must be a popular one. Rather will it gain in strength by such encouragement and guidance while the more closely the district officer is in touch with societies the more surely will he find to his hand new and valuable agencies to help him in his daily work.

It is for Local Governments to consider to what extent and in what manner use can be made of societies in each province in district administration—how far they can afford a means of ascertaining the real public feeling of the district—how far they can by rendering voluntary aid assist in promoting primary education, rural sanitation and medical relief—in what manner they can be used in times of scarcity and famine or during the prevalence of epidemics, or whether the training afforded by them will lead to the development of a true system of village government.

In these and other ways it may be found possible to utilize the co-operative organisation, and the movement should, if wisely directed,

exercise an important influence in promoting the welfare of the people. But although it is still uncertain to what extent, and in what manner, societies may assist in the work of the district, there can be no doubt that a new factor in administration, which cannot be disregarded, has come into being, and that new duties and responsibilities have been thrown upon the district officer.

30. *Official and non-official assistance.*—Co-operation in India owes much to the devoted efforts of the many officials who have spent much time and thought on the furtherance of the movement, and a special obligation is due to the admirable body of Registrars who in the various provinces have guided the societies through their earlier stages. They have as a rule been picked men. Several of them had prepared themselves for their duties by special study of co-operation in Europe; and as a body they have applied themselves to their task with splendid energy and equally splendid patience. They have not only effected much by their own efforts, but they have succeeded in eliciting enthusiastic assistance from others, and the movement owes much to the great body of non-official workers who have so ably seconded the efforts of Registrars. Gentlemen of all shades of opinion and creed have come forward to assist not only by making more general a knowledge of the principles of co-operation and of its benefits, but also by initiating new societies and by giving unremitting attention to those of which they are themselves members. Help of all kinds has come from every quarter—from commercial firms, from great bankers, from planters, from zemindars, from ryots, from pleaders, from retired Government servants—both European and Indian—from missionary bodies of all denominations, from the Salvation Army and from numerous other classes and associations. The interest which has been aroused in so many quarters, and the zeal which has been shown have added to the strength of the movement, and have been a source of the greatest encouragement to Government and its officers in the initiation of this important experiment. On some few of the unofficial workers Government has been able to bestow special marks of its appreciation, but there are many whose work has not and cannot receive tangible recognition, and who indeed have toiled with a strenuous modesty which looks for no reward beyond the consciousness of having served the best interests of their country. To these, equally with the others, Government, which has these same interests at heart, extends its sincere acknowledgments and thanks.

31. *Summary.*—The remarkable progress which has been made during the first ten years could not have been foreseen by the most

sanguine believer in co-operation. From small beginnings the movement, fostered by the resourceful guidance of Registrars and assisted by a body of non-official workers, has grown rapidly until it now represents an influence vitally affecting a large section of the people. The development which has taken place is all the more striking when it is remembered that excessive State aid has been avoided, and that the aim kept steadily in view has been, not the rapid multiplication of societies, but the restriction of the movement within safe bounds. The policy of restricting State aid within narrow limits has been fully vindicated and has led to an increase of self-reliance and independence, while the caution with which Government has stimulated development has resulted in a natural and healthy growth. The future is full of promise, and although under the influence of federation, and with increased unofficial aid and supervision more rapid progress may be expected, the caution and restraint shown in the past should continue.

Co-operation has brought with it a wide circle of benefits, both moral and material, and these benefits are intended primarily and mainly, but by no means exclusively, for the poorer agricultural classes. They are not however, confined to societies of any particular type, and a marked feature of the Indian system is its elasticity. So long as the members of the rural society are in touch with one another and have a unity of interest, so long as the principle of unlimited liability is maintained as a leading feature, and so long as precautions are taken to prevent undue importance being attached to the profits of members, there is no necessity to adhere slavishly to any particular type. In the detailed administration of credit societies, there are certain maxims which, subject to the reservations specified in this Resolution, may be said to represent the teachings of our experience and some of these are :—

- (a) that mortgages as a security for debt, though ordinarily discouraged, are not without their uses in certain cases ;
- (b) that the early clearance of a member from previous debts after his admission to a society is desirable ;
- (c) that it is unnecessary to confine the grant of loans to those required for productive purposes ;
- (d) that while it is desirable that Government should remove certain technical obstacles in the way of co-operation, it would be unwise to grant exceptional concessions as this would remove from the societies the incentive to self-help ;

- (e) that while it is impossible to lay down any general rule regarding the comparative importance of the different sources from which the funds of societies are derived, it is essential that the bulk of these funds should be in a form easily realizable;
- (f) that the greatest importance should be attached to the punctual repayments of loans ; and
- (g) that while there may be advantages in the earlier stages in using the reserve as part of the working capital of the society, it should gradually, as it becomes more important, be set apart for separate investment.

As societies increase, it has been found necessary to federate them under central banks or corresponding organizations. In some provinces these have again been brought under a Provincial Bank, and the establishment of such banks in all the major provinces is probably only a matter of time. These central institutions bring individual societies into touch with the general money market and serve as distributing centres for their balances. Their management presents special difficulties, and, if co-operation is to be secured against catastrophe, this portion of the organization will require particular attention. It is necessary for similar reasons to insist on adequate inspection and audit of individual societies, and Government, while anxious to secure as much autonomy as possible for the movement, cannot dissociate itself from the task of securing at all times, both on financial and on social grounds, an efficient degree of supervision. Finally, although district officers need not concern themselves with the details of initiation and inspection, they must recognise that a new factor in district administration has come into being, that new duties and new responsibilities have been thrown upon them, and that the movement, if wisely directed, may form yet another link which binds together Government and the people.

APPENDIX C.

ABSTRACT REPORT OF THE IMPERIAL COMMITTEE ON CO-OPERATION 1915.

1. *Object of Abstract Report.*—In order to facilitate an appreciation of our views by persons to whom our Report may appear too detailed and technical, we have deemed it convenient to prepare an abstract dealing only with those points which are of larger importance. For this reason we do not propose to enter into great detail and our remarks in this abstract must be held to be supplemented by what we have said in our main Report. For the same reason we shall refer to agricultural credit societies only among primary societies, as societies of this nature form 13,715 out of the 14,566 primary societies which have come into existence since co-operation first obtained a footing in India in 1904.

2. *The Primary Society.* A primary agricultural co-operative credit society is formed in its first stage by a number of individuals, not less than ten, who, because they are unable individually to obtain the credit which is necessary for their small agricultural operations either in adequate quantity or at rates or on terms of honest dealing which enable them to work at a profit, combine together to obtain this necessary credit on reasonable conditions. To effect this each becomes liable for the debts of the society to the extent of the whole of his assets. If in this combination there is a number of well-to-do persons who have joined, not to obtain credit facilities they already possess, but to assist their poorer friends, it is obvious that the addition they bring to the total of the assets of the individual members provides a substantial security to a creditor for any money lent to the society and used by the poorer members. If, on the other hand, all the members are of the same class, too poor individually to be trusted with any loan at a rate of interest which does not include a very large proportion of insurance to guard against the risk of non-repayment, it is equally obvious that the risk on the loans is in no way diminished from a purely material point of view by the combination. It will not, we think, be found frequent in practice in India for men of substantial position to join a society to support the credit of their poorer neighbours, and consequently it may be taken that the majority of societies belong to the latter class. It is true that even in that case the total

assets of the members may, and generally do in practice, total up to a nominal saleable value, based on the rates obtained at occasional sales, considerably in excess of the total loans granted. It is, however, probable that in the event of the forced sale of a number or all of these assets, the amount realised would be found to be very much less than that at which they had been valued and might in many cases fail to cover the debts of the societies, the more especially if many such sales were taking place simultaneously within a small area. Hence it is clear that the creditors' real security consists not in the material assets of the members but in the ability and desire of the members to put the borrowed money to productive uses and to repay the loan out of the profits made thereby.

Each loan should mean so much earning capacity, so much producing power for the individual borrower. The guarantee consists in the expectation that each member of the society knowing that he stands to lose his all by the default of the others, will exert moral pressure on his co-members to ensure that they use for a proper productive purpose the money which they have borrowed and duly repay it at the appointed time. The security in fact lies in the use of each loan for genuine productive purposes, the honesty and thrift of the members, the watchfulness they exercise over each other, the moral influence which they bring to bear upon dishonest or unthrifty co-members and the feeling of solidarity which is usually awakened by association for a common purpose. These represent the essential elements of co-operation in its perfected form and it is in the presence of these elements that the business aspect of co-operation also finds its best security. The societies, as we have said in our Report, must in the first place be *co-operative* and must further be *business-like*. The two qualifications are largely inter-dependent, but for the sake of clearness it will be convenient to deal with them separately as far as possible.

3. *Conditions necessary to make a society co-operative.*—The society to be fully *co-operative* must fulfil many conditions. The theory underlying co-operation is that weak individuals are enabled to improve their individual productive capacity and consequently their material and moral position, by combining among themselves and bringing into this combination a moral effort and a progressively developing realisation of moral obligation. The movement is essentially a moral one and it is individualistic rather than socialistic. It provides as a substitute for material assets honesty and a sense of moral obligation, and keeps in view the moral rather than the material sanction. Hence the first condition obviously is that every member should have a knowledge of the principles of

co-operation, if this co-operation is to be real and not a sham. In the formation of a society the first essential is the careful selection as members of honest men, or at any rate of men who have given satisfactory guarantees of their intention to lead an honest life in future. As regards the dealings of the society, it should lend to its members only, and the loans must in no circumstances be for speculative purposes, which, so far from encouraging thrift and honesty, have exactly the opposite effect. Loans should be given only for productive purposes or for necessities which, as essentials of daily life, can fairly be classed as productive. The borrowers should be required to satisfy their fellows that they are in a position to repay the loans from the income that they will derive from their increased productive capacity, or that by the exercise of thrift they can effect a margin of income over expenditure which will suffice to meet the instalments of their loans as they fall due. When a loan has been given, it is essential that the committee of the society and the other members should exercise a vigilant watch that the money is expended on the purpose for which the loan was granted. If it is improperly applied, it should be at once recalled. It is further advisable to add to the general supervision of the society the special supervision of individual members, by taking personal sureties in the case of each loan. In the event of any default by the borrower an instant demand should be made on these sureties. In the more general matter of society's business there should, of course, be a committee of management with a president and a secretary, all of whom, except those who perform purely clerical duties and have no voice in the management, should be members of the society and give their services to it gratuitously. At the same time the ultimate authority should never be delegated to the office-bearers, but should be retained in the hands of the members, who must continue to take a practical interest in the business of the society. With this object the constitution should be purely republican ; each member should have one vote and no more in the general meeting and all business should be transacted with the maximum of publicity within the society. For example there should be kept in some place open to the inspection of every member a list showing the loans issued to every member, the names of his sureties and the amount of the loan still unpaid, and each member should be required to know generally how this account stands : general meetings should be frequently held at which the accounts and affairs of the society are fully discussed and explained. The express object of the society should be the development of thrift among its members, with the hope too that this idea of

thrift will spread in the neighbourhood. To effect this object loans must be given only when they are really necessary and desirable. Further the development of thrift and of a proprietary interest in the society should be aided by efforts to build up as soon as possible a strong reserve fund from profits. The society must also be encouraged to obtain as much as possible of its capital from the savings which its teaching and example have brought about among its members and their neighbours. With all these must go the elementary business principles of honesty, punctuality, proper accounts, diligence and payment when due. To ensure all this there must be adequate control from within, increasing vigilance and supervision by the office-bearers and a continuous effort by members in learning the principles of co-operation, in meeting frequently, in watching others, in working hard and observing thrift, and in punctual repayment of their own loans as they fall due.

4. *Three special points.*—There are three matters in this connection which we consider to be of special importance:—(i) the starting of new societies and the size of societies, (ii) the period for which loans are granted to members, and (iii) the rate of interest charged on loans.

(i) *New Societies and their size.*—With reference to the starting of new societies we have recommended that the utmost care should be exercised in permitting the formation of a society and that the Registrar should only consent to register a society after he is convinced that its prospective members understand co-operative principles and duties and are prepared to act up to them and that there is a reasonable probability that they will do so. Any general spirit of official propagandism of primary societies would in our opinion now be a grave mistake. The movement has spread sufficiently to enable the villagers in most provinces to have an opportunity of seeing a society in being and to take steps to form a society of their own, should they consider that the inducements are sufficient. The members should be sufficiently acquainted with each other to know whom to trust and whom not to trust and to be able to exercise genuine supervision over each other's dealings. Consequently large societies are to be deprecated. Undoubtedly large societies do exist and prosper up to a point, but it will be found in practice that these depend for their existence on the efforts of the president or a small committee, and that the ordinary member takes little interest and has practically no voice in the management or affairs of his society. The co-operative safeguards are therefore absent, and everything depends upon the honesty and business qualities of the committee. We have noticed moreover that it is from societies of this nature that majority of

complaints have come that members who are perfectly well able to repay are contumaciously refusing to do so. This is only to be expected when there is an absence of the co-operative elements of mutual watchfulness and supervision and of the exercise of moral pressure. It is impossible to avoid the conclusion that large societies of this nature must inevitably lose their co-operative character and degenerate into village money-lending concerns.

5. (ii) *Length of loans and their repayment.*—The fixation of the period of loans is a point which deserves special consideration. To take a common instance, a man, who has mortgaged his land and is working as a daily labourer, applies for a loan of (say) Rs. 400 to redeem that land and his fellow members come to the conclusion that, put in the possession of the land, he can by the exercise of due thrift save Rs. 150 a year. If a loan of Rs. 400 is granted on condition of repayment by two instalments within two years, the result must be to drive the borrower again into debt by forcing him to raise elsewhere the balance required to meet these instalments when they fall due. If instalments have been fixed to which there is admittedly no intention of adhering, the arrangements of the society for repaying its own borrowings must necessarily be stultified, while other borrowing members who may very well be in a position to pay, are encouraged to resort to procrastination and evasion. On the other hand a well-to-do man, though he might reasonably be granted a loan to replace plough cattle which had died, would probably be in a position to repay that loan sooner than another man whose income and necessary expenditure afforded a smaller margin. Conversely, by allowing three years for the repayment of a loan granted for seed grain, which should properly be repaid after the harvest, direct inducements to extravagance and unthriftiness are placed in the way of the borrower. It is, therefore, necessary that each society before granting its loans should consider carefully the time within which, having regard to the purpose of the loan and the circumstances of the borrower actual repayment can be properly expected. When the period has been fixed, it should be rigorously enforced except in the event of domestic or other calamities. The system of extending loans as a matter of routine is one of the greatest dangers that exists in the co-operative movement, in that it paves an easy way for procrastination and eventual default. It is moreover facilitated by the fact that, if a loan is formally extended by the society, even for the sole reason that the borrower refuses to pay, it does not appear in the returns as an overdue loan. It is consequently possible for the nominal assets to include loans which should really have been

written off long before as bad debts. It is difficult to devise any system of returns which would differentiate extensions, and the fact of improper extensions having been given can best be elicited by a careful inspection of the society. When the practice comes to light prompt action must be taken, but the real remedy lies in the prevention of the growth of the practice by the society's seeing that no loans are granted on conditions of repayment within a period, inside which no reasonable person could expect the borrower to repay. In this connection attention should be paid to the fact that agricultural finance must be based on the agricultural cycle, and this cycle, though usually of the duration of one year, may occasionally be a matter of months, but is frequently a matter of from two to five years. Where climatic conditions are such that in a one-crop area failure of the harvest is practically unknown, agricultural finance is of course based on repayments at harvest within the twelve months. Where however the climatic or other factors render harvests precarious, the agricultural class must be financed with regard to a period of years which will cover the average cycle comprising good, bad, and indifferent seasons. Thus in an area, where one good, one bad, and two indifferent years form the ordinary cycle of seasons, the agency financing the cultivator does so on the assumption that the loans will be repaid in full after the first good harvest, which may of course not occur until the fourth year. This has been from time immemorial the ordinary practice of the money-lender, and it seems advisable to enter this caveat, as there is a tendency to imagine that agricultural finance is always worked on a twelve months' basis.

6. (iii) *Rate of interest on loans.*--As regards the interest at which loans are granted to the members of societies it has sometimes been urged that in order to stimulate the movement and give its full benefits to members of society, the rates of interest should be made as low as possible. This point of view ignores the dangers of unthriftiness and extravagance incidental to too facile credit. It is sound policy for a society to start by lending to members at rates which are still substantial, though very much lower than those at which, with their precarious credit, they could borrow from the local money-lender. Such rates we have found in many places to be as much as 36, 48 or 60 per cent per annum, and in these places a society may very well begin by charging 15 or 18 per cent. We have, on the other hand, been told in some places that ample money can be borrowed there from local money-lenders at 8 or 9 per cent per annum or even lower rates. We cannot however help thinking that money at this

rate is available only for those who have ample realisable material assets to offer as security, and not for those agriculturists whose emancipation from their present depressed condition is the object and justification of Government's expenditure on co-operation. In the charge of a high rate of interest on loans to them there is no hardship imposed on members, inasmuch as every penny of profit made on that rate is retained for their use and benefit in the shape of a reserve fund, which can be later employed to enable loans to be made at very much reduced rates, when a substantial reserve has been accumulated and the members have thoroughly learnt the use and value of money. The matter is one which we think should be under the very careful supervision of the Registrar who should have full powers as regards controlling the rates at which money is lent to members.

7. *Business aspect. Sources of Capital.*—Turning to the more purely business aspect position of primary societies, we may note that they rely for their funds partly on external and partly on internal sources. In the former may be included deposits from members and non-members and loans from central financing institutions. In the latter the reserve fund and (in some Provinces) the share capital.

(i) *External Capital. Deposits.*—The amount of capital hitherto obtained in the way of deposits has on the whole been disappointing. As long as the deposits received are of a truly local character and are made from confidence in the working of the society, every effort should be made to secure them, both from members and from non-members. We look to a considerable increase in deposits as an essential to real progress in the future.

Loans to societies,—how determined. Use of Unions.—For the present, however, the main source of outside capital in primary societies consists not in deposits but in loans from central co-operative financing agencies, to which we shall allude further below. To such agencies applications by primary societies for loans are generally made, and such an agency on receiving a request for a loan has to consider its treatment. In some cases the request is received through the office of the Registrar who has already, after receiving the reports of his subordinates, satisfied himself as to whether the loan may safely be given and has endorsed his sanction for that amount on the application. In some cases the orders on the loan are passed by the central financing institution itself. In such cases it must arrive at a decision based upon the reports of the staff which it keeps for that purpose or on the

opinion of members of its directorate with local knowledge. In other cases, but not generally, a society before obtaining a loan has to be admitted to membership of a Union. Such a Union is a body of which the only members are the primary societies within a circle of a radius averaging generally about 8 miles and at the deliberations of which each member of the society has a number of votes proportionate to the number of its own members. The duties of the Union are to advise on the grant of loans to its constituent societies and to supervise the working of these societies. Being composed of societies all drawn from the same limited area who are or should be also shareholders in the central financing institution, a body of this kind may safely be presumed to have a fairly intimate knowledge of the affairs of its constituent societies and of their individual members, and is therefore in a position to give a most useful opinion as to the propriety of any loan asked for by a society, and is also in a position to supervise the use of the money borrowed and the general working of the society, while its member societies' interests in the central financing institution should ensure a due regard for the latter's welfare by the refusal to recommend any loan regarding which there was any doubt. It is moreover customary to introduce a further element of caution into a Union's recommendations and to give each member society a direct interest in keeping other societies up to the mark by making it liable to a certain limited extent to make good to the central financing institution any loss which such institution may have incurred from the default of a society to repay a loan recommended by the Union. In a province in which a Union system obtains any application for a loan by a society must first be submitted to the Union which will bring to bear upon it a scrutiny, based upon personal knowledge and sharpened by financial responsibility, as to the necessity and productiveness of the loan, the character and position of the members of the society, if new, its past history and behaviour, if of some years' standing. If the result of this scrutiny is unsatisfactory, the loan is not recommended or a loan is recommended of a very much diminished amount. The central financing institution, provided it has funds available with due regard to the claim of other Unions, would in general rarely refuse to make a loan to the full extent recommended by a Union.

8. *Repayments of loans made to societies.*—The loans, when sanctioned, are issued to the society under conditions varying in different provinces as to repayment of principal and payment of interest. In most cases the interest has been paid regularly each year or half year, but the

practice differs widely as to repayment of principal. In some cases it is repayable by instalments spread over periods varying from one to ten years : in others it is repayable in one lump sum after a term of years. It would probably be safe to say that on an average most loans from central financing institutions to societies are repaid within three to four years, whether by yearly instalments or in one sum, and that the usual rate of interest charged to the primary society is 7 to 9 per cent per annum. It is usually left to the society after it has received the loan, to distribute it among its members in such proportions and on such terms as regards the period of repayment by them as it thinks fit ; and it is expected that the central financing institutions should recover repayments from the society corresponding to the repayments made to the society itself by the members.

We have heard it urged on several occasions that the real test of efficiency in a society is punctual repayment and that if a society is making repayment punctually it may safely be presumed to be in a satisfactory state. It is certainly true that a good society will always be punctual in its repayments, but the converse proposition cannot be admitted. To begin with, a society may be making repayments to the central financing institution from deposits entrusted to it from time to time and may be making no recoveries at all from its members. Or again its members may be misapplying or squandering their loans, while repaying punctually to the society with money temporarily provided by a friend or money-lender whom they recoup from the balance of a fresh loan, obtained from the society for some ostensibly productive object. As a consequence a society which is negligent in supervision over its members may be receiving regular repayments from them and repaying regularly to the central financing institution, while its members may be sinking further into debt to the extent of money which they have borrowed and wasted. This state of affairs can only be ascertained by a close examination of the society's books, coupled with a careful enquiry on the spot as to the affairs of each member and the manner in which he has utilised his loans. In the supervision of a society the greatest care should be taken to see that the repayments are genuine, and there is grave danger in placing undue reliance on the mere statement of a society's repayments to the central financing institution.

9. *Assessment of credit.*—It is part of the business of the Central Financing Institution to see that the credit of the society should be duly assessed, that is to say that the total external borrowings of a society

whether as deposits or as loans should be fixed annually at a certain sum. Without a systematic arrangement of this kind no proper relation can be maintained between the credit-worthiness of the societies and the liabilities they incur, and we consider the point of such importance that, for the present at least we regard it as essential that the Registrar should maintain a control over the total amount that a society may borrow from every source, and that a maximum limit should be fixed for such borrowings, to be varied from time to time as the society shows its growing strength or the reverse. When the limits for borrowing have then been fixed any deposits which would cause a society's borrowings to be in excess of that limit would have to be refused. Deposits within that maximum should only be taken on condition that the society itself retained sufficient liquid assets to meet the claims of depositors or, as is more suitable, made an arrangement for the necessary cover with a central financing institution. The maximum borrowing limit would, as above noted, include borrowings from a central financing institution as well as from outside depositors and members, while loans from one society direct to another should be precluded altogether. If a society's temporary requirements are substantially less than the borrowing limit assigned to it and happen to leave it with surplus funds, it should place these with the central financing institution.

10. (ii) *Owned capital. Shares and surplus assets.*—The internal sources of capital in societies are, as above stated, the share capital and the reserve. The bulk of the societies, at present, have little or no share capital, and shares constitute a substantial part of the capital in four Provinces only. It is hard to expect poor peasants to subscribe anything large in the way of share capital, but when this can be obtained, as it usually is, in instalments, it forms an excellent means both of inculcating thrift and of providing a form of capital owned by the society. For the bulk of the 'owned' capital however, the society must look to its reserve fund, that is to the surplus assets which it accumulates from its annual profits. The amount of these surplus assets depends mainly on the difference between the rate at which the society borrows and that at which it lends, and until the amount has reached a substantial figure it is a mistake to reduce unnecessarily the rates at which money is lent to members. If arrangements are made, for maintaining a resource available for meeting deposits, the surplus assets of a society can most suitably be employed in the business of the society.

11. *Audit and supervision of societies.*—It will be seen that in order to be fully co-operative and thoroughly business-like, a society must live up

to a high standard. Considering the class of people who compose the bulk of the agricultural societies it is useless to expect the maintenance of such a standard without frequent audit and unceasing supervision from without. It is difficult to exaggerate the importance of such audit and supervision. Without them a good society may soon degenerate and a bad society may soon come to ruin. The work of audit and supervision should in the first instance be vested in the higher co-operative institution, Unions and Central Banks, but the ultimate responsibility for these duties must rest with the Government as represented by the Registrar. There is indeed no reason in our opinion why the whole of such supervision and audit should fall on the Government staff and be met at Government expense. A full audit by a Government staff of the accounts of each society is essential, but this might take place once in two or three years, the audit in the meanwhile being conducted either by the Unions, where these exist, or by the central financing institutions. Constant supervision is part of the duty of a Union, and where there is no Union it should be incumbent on the central financing institutions to carry out the duties of supervision and to maintain an efficient staff for the purpose. The cost of this can fairly be met by the societies either by a direct contribution or by the central financing institution's charging on loans to them a rate of interest which will cover the expenditure. At the same time we hold that the Registrar cannot abrogate his responsibility in the matter of directing and supervising this co-operative audit and supervision, and that he must see that the influence of central financing institutions is not misdirected or applied in wrong, improper or mischievous ways, and must maintain an efficient direction and control to ensure that the movement is kept on co-operative lines and is confined to these lines. The exercise of due care before formation and the ensuring of full and proper supervision after formation we consider indeed the most important part of the Registrar's duty. If the Primary Societies are sound and solvent the whole provincial edifice must be sound unless there is instability in the higher finance. If the Primary Societies are unsound, if they are based on mere money-lending and not on co-operative principles, no matter how sound the higher finance may apparently be its assets will be locked up in indifferent or bad securities and sooner or later serious trouble, if not failure, is bound to result.

12. The figures below show the rate of growth of primary societies of all kinds in the last eight years :—

YEAR.		No. of societies.	No. of members.	Working capital.
1906-07	...	832	88,582	Rs. ...
1907-08	...	1,350	1,48,698	41,75,211
1908-09	...	1,948	1,79,144	72,25,119
1909-10	...	3,397	2,20,676	1,01,29,232
1910-11	...	5,262	2,99,376	1,53,31,702
1911-12	...	8,057	3,91,957	2,35,88,358
1912-13	...	11,548	5,13,851	3,33,01,603
1913-14	...	14,566	6,61,859	4,64,27,842

Need of increased control.—No one reading these figures can fail to be struck by the magnitude which the growth has already attained or to be convinced that the movement has taken firm root. Societies are now so spread over all parts of India and the advantages which their members are obtaining are so patent, that it is impossible to doubt that the movement will eventually attain dimensions compared to which its present size will appear negligible. As a consequence there will undoubtedly arise through the medium of co-operation a powerful organisation formed of these agricultural classes who are at present inarticulate through want of education and cohesion. The potentialities of such an organisation, its advantages and dangers, and the possibility of its perversion to wrong ends, if it is allowed to develop without adequate supervision and proper control must be apparent to all. Further there will be in use in these societies a very large sum of money, amounting to many millions of pounds, mainly the property of thrifty agriculturists, tradesmen and men of the professional classes on whom the loss of this money would inflict an irreparable blow coupled with far-reaching consequences. This money will be lent to individuals of whom many do not own the

material assets to provide the requisite security, and to sell up whom on any large scale would necessarily involve serious consequences. It must be obvious then that, if loans are not applied to productive or necessary objects and repaid promptly from the profits so earned, if there is not in each member the desire and intention so to use his loans and so to repay them and to see that each of his fellow members does likewise, there is a grave danger of the creation of a gigantic credit fabric which, having no real soundness within, may eventually collapse. On the other hand, with a sound co-operative system carefully restricted to its legitimate objects, there are innumerable potentialities for increase of wealth and prosperity to the country from a peasantry freed from the crushing load of debt, obtaining on reasonable terms the money which it requires from time to time for its agricultural operations, and using for these operations improved and more scientific methods.

We do not wish to pose either as alarmists or Utopians, but we think that the importance of the movement, its potentialities for good or evil, should be recognised to the full. Of the first danger,—perversion of the co-operative movement to other objects,—we have as yet seen little or no signs, but we think that this possibility should always be borne in mind and carefully guarded against. The second danger, the lack of a true spirit of co-operation, is at the present moment much the more real. We regret to have to say that the conclusion has been forced upon us that in the majority of cases primary societies in India fall short of the co-operative ideal. Speaking generally, even allowing for the backwardness of the population, there has been found a lack of true co-operation. The necessity for developing a truly co-operative system rather than cheap money-lending and the danger involved in inviting deposits from the public for pseudo-co-operative institutions are matters that have been to a serious extent overlooked. Rapid extension has resulted in the growth of primary societies to an extent with which Registrar and his staff were unable to cope, and faults have grown up which were inseparable from due lack of care in formation and inadequate means of supervision. At the same time these faults are by no means ineradicable, the societies are young and composed in the main of good material, and with proper care and supervision are capable of being placed on the right lines.

The remedy in both cases lies in the supervision and control of the primary societies by a registering staff adequate and efficient, specially in its higher branches. We do not mean by this that the Registrar should assume the detailed direction of societies. These must be left,

as hitherto, to manage their own affairs, but the Registrar must be in a position to know how they are managing these affairs, and to take action in case of need. In addition to being able to acquaint himself with the working of the societies under his charge, the Registrar must be able to give and supervise that teaching of co-operative principles without which proper co-operation cannot be expected to grow. For this work the present staff of Registrars is quite inadequate and we trust that a realisation of the importance of the subject will lead to a material increase in the superior registering staff. Our proposals on the subject are given in detail in the main report and are briefly that, in all the major provinces, there should be in addition to the Registrar at least one Joint Registrar holding a status equivalent to that of Collector, and that in provinces where the number of societies is large there should be approximately one superior controlling officer for each thousand societies. The effect of this would be to add three superior whole time officers to the registering staff of the Punjab, two to that of the United Provinces and the Central Provinces and one to each of the other provinces. It is essential that the officers should be picked men with special qualifications for the work, that their remuneration should be consonant with the arduous nature of their duties and that it should be recognised that the work of Registrar is in the importance of its nature and the experience which it affords equivalent to the work of a Collector and renders an officer equally fitted for executive promotion.

It is also important that the district officer, while not allying himself with the movement in any official capacity and not exercising any of the formal powers of a Registrar,—duties for which he might have no inclination and which the press of other work might force him to allow to fall into routine—should nevertheless realise the importance of co-operation and its possible effect for good or evil on the district under his charge, and should keep himself thoroughly in touch with the progress of the movement in his district.

13. Central and Provincial Banks—As regards the higher financing institutions, it may be mentioned that in Burma, where conditions are somewhat exceptional and there is a fully organised Union system, the primary societies receive loans direct from one bank at Mandalay, except in two districts where owing to difficulties of communication local banks have been formed. These banks however are supported by the Mandalay Bank, which is also responsible for seeing to their affairs being kept in proper condition, and for co-ordinating and controlling the whole co-operative finance of the province. In all other Provinces except Madras

and Bombay a system exists under which the provision of funds to primary societies is done by a number of local central financing institutions the business of which covers an area sometimes conterminous with a district, sometimes with a subdivision and sometimes even smaller. Each of these institutions is an independent society registered under the Co-operative Societies Act with limited liability. In Bihar and the Central Provinces these institutions are formally federated under an apex bank, known as the Provincial Bank, which provides a certain amount of the capital of its constituent banks, balance their excesses and deficiencies and maintains a general control. In Madras and Bombay the large banks at headquarters, while confining their business mainly to lending to primary societies throughout the whole or part of the province, have of late tended to assume certain of the functions of apex banks by lending to and receiving surplus funds from some of the local central financing institutions. Their position however as regards the latter has not been defined, they exercise no control and do not occupy a recognised position as the apex of the provincial co-operative finance. In the remaining Provinces no apex organisation of any kind at present exists and the financial edifice consists of a number of independent local financing institutions without any co-ordination.

The local financing institutions throughout India, of which there are nearly 200, are in the various provinces designated by various names, but to avoid any inconvenience of nomenclature we have in this report applied the single term "Central Bank" to all local financing institutions concerned solely in the direct financing of primary societies, within an area sufficiently limited to allow them to exercise also the duties of supervision and control over these societies. Under this head will come all the central financing institutions except the five mentioned below. The term Provincial Bank will be applied to the apex institutions in each Province which are formally constituted to co-ordinate and control the finances of Central Banks and deal only with such banks and not with primary societies. To this class belong the Provincial Banks of Bihar and the Central Provinces. This leaves in doubt the position of the Central Banks of Mandalay, Madras, and Bombay. In Burma where the system, as explained above, is special, the Bank of Mandalay can appropriately be recognised as a Provincial Bank. The Banks of Madras and Bombay do business over too large an area to enable them to discharge the functions assigned to Central Banks, while they have not yet been placed in a position to enable them to take up the position of apex banks. It will be more convenient to deal with all classes of financing

institutions together, merely predicating that the remarks in paragraph 14 immediately below are not intended to apply to the five above-named banks.

The composition and method of investment of the capital of all these institutions was on the 1st January 1915 as follows, the figures being given in lakhs of rupees. 189·43 was held on deposit from individuals, of which 8·01 was on current account and 4·66 for short terms of less than three months. 103·70 was for periods exceeding one year's notice. Debentures were 6·37, and loans from Government 3·73. Loans and deposits from other co-operative societies were 46·54, of which 2·28 were on savings bank account. Loans from presidency and joint stock banks amounted to 20·99. Share capital and reserve fund totalled 47·07. Against these liabilities 11·04 was held in actual cash and 10·16 in outside securities of which however a small portion had been pledged to the banks. The remainder of the assets was invested in loans to primary societies and other central institutions and of this one-third to one-fourth might normally be expected to be repaid each year. A small amount of this is however still owed by individuals who had the right of borrowing from some of the institutions. There are further available undrawn amounts of cash credits given by Presidency and Joint Stock banks amounting to 20·27. On the other hand the 20·32 already advanced by these banks has been given on terms which practically all admit of repayment being demanded within the year.

Of their profits these banks are by law compelled to put one-quarter to their reserve fund, and the amount of dividend which they may pay to their shareholders is limited. Some banks keep current accounts both for their shareholders and for outsiders and a few still lend money to individual shareholders as well as to societies. It may be generally said, however, that the banks confine their business to receiving deposits from the public, generally for fixed periods, and to lending the money so obtained to primary societies and in a smaller degree to Central Banks.

14. *Central Banks—their powers and constitution.*—As regards Central Banks proper doing business generally in an area not exceeding that of a district, we think that often they have been allowed too little discretion in the matter of making loans to societies and the full use has often not been made of this important link in the co-operative chain for the purposes of supervision and audit of societies. For the latter work the most suitable machinery is undoubtedly the Union system, but we fully realise the strength of the objection raised in many provinces that it may be some time before a sufficient spirit of autonomy is developed

among the members of societies to enable that system to be introduced. In the absence of such a system the entire supervision of the primary societies within its area must be undertaken by the Central Bank, subject to the advice, general supervision and control of the Registrar. This duty a Central Bank is in every way fitted to fulfil, provided its directorate has been suitably selected. It is also necessary that the Central Bank should be in a position to enforce its authority against errant societies by the refusal or curtailment of loans. We have found that in many cases it has been the custom for an application by a society for a loan to be adjudicated on by the Registrar or one of his staff, and for the work of the Central Bank to be limited to paying over the amount of the loan sanctioned, if it had in hand the money to do this. This procedure seems to be entirely wrong. The money is the property of the Central Bank which is responsible for it to its depositors and shareholders, and as it has the responsibility in the matter, so it should have the discretion. We have already expressed the view that the Registrar should impose a limit beyond which a society should not borrow, but we think that within this limit the Central Bank should have full power to deal with all applications by societies for loans, and that with this should be coupled the duty of supervising the societies to which it makes these loans. It is however necessary that the constitution and directorate of the bank should be such as to enable it to discharge these functions to the best interests of co-operation. If a bank is frankly a profit-seeking capitalistic concern, its interests are in few respects coincident with the interests of societies which it is likely to regard mainly as a means of profit and in the real welfare of which it has little concern. A bank of this nature is further less susceptible to control. To banks where the management is provided entirely from the members of the constituent societies the main objection is that they are likely to fail to enlist the assistance of the commercial middle classes, who alone are at all capable of conducting a bank of any dimensions and on whose assistance and co-operation the financial support of other members of their class depends. If this difficulty could be got over, there can be no question that banks of this class are the most advantageous and economical, since there is no necessity for them to do more than pay working expenses. Moreover it is in the interests of co-operation that this link in the co-operative chain should be composed of societies themselves and not of outsiders. Consequently it is to be hoped that at some future date the agriculturist will have developed the indigenous ability to provide for Central Banks an efficient management which will command the con-

fidence of the depositing classes, and in some places there are already signs that, given the opportunity, men with the necessary qualifications will be forthcoming. This ideal must however require many years for realisation and we think that at present the best constitution is undoubtedly to be found in banks where the directorate is drawn partly from men of the commercial and professional middle classes and partly from the leading members of societies, each director representing his own class of shareholders and providing the elements in which the other class is lacking. Care should however be taken to see that the ultimate control of the bank rests with the society shareholders, since this prevents any possibility of exploitation of societies. It should also be made clear that the ideal aimed at is the eventual transition of the bank to a co-operative constitution when the only shareholders will be societies.

15. *Need for adequate Fluid Resource.*—Whatever be their constitution the same principles must apply to all higher financing institutions as regards sound finance. It has already been stated that these banks raise the major portion of their capital by inviting deposits from the public. A portion of these deposits are on current account or for short periods not exceeding three months; a portion is on fixed deposit for terms exceeding one year, but more than half, in fact 54·7 per cent, is for periods ranging from three months to one year. The money so obtained is lent out to societies, and it may be said that, taking an average all round, it may be expected that each individual loan will be repaid under normal agricultural conditions, in instalments spread over three to four years. If pressure were put on societies an increased amount could be forthcoming, but only at the cost of dislocating the arrangements of these societies and probably requiring their members to have recourse to the money-lender. Again a year of agricultural scarcity may render societies unable to make any repayments in that year and will probably make it necessary to accommodate them with loans in excess of their normal annual requirements, if their members are not to be required to go to the money-lender. It is thus obvious that, if the banks are to be in a position to repay deposits when due and demanded, they must equilibrate their finances with some care and provide an adequate amount of liquid resources. So far the actual necessity for doing this has not arisen in any marked degree owing to the very great increase in the last few years of the deposits made in these banks. The amounts deposited have been each year largely in excess of those of previous years, and any deposits withdrawn have been met out of new deposits. Moreover a custom has lately grown up of obtaining advances from commercial banks either in the shape of

loans of definite amount or of cash credits. Some of the more prudent banks have utilised the cash credits so obtained only to a limited extent, leaving the balance available to be drawn upon to meet calls by depositors. Others have drawn and employed in loans to societies practically the whole of their credit. In some cases the apex co-operative bank of the Province has undertaken to support its central banks, but this support has generally been dependent on a cash credit it has itself obtained from a commercial bank. It may be said however that in practically all cases, with the exception of undrawn cash credits on commercial or apex banks, no central bank has retained or provided any liquid assets, beyond a small and quite inadequate supply of cash, to meet demands by its depositors or to provide for seasons of agricultural distress.

This has been due in some cases to a desire for dividends : in others to a readiness to take a present risk so as to secure eventual safety by a reserve fund built up out of larger profits : in others a too rapid growth of societies has imposed work on the Central Bank in excess of its financial capacities : in others it has been due to the fact that money is lent to societies at rates so near to those paid on deposits as to allow no margin for the provision of fluid resources : in others it has been frankly stated that in the event of difficulty over fluid resource they look to Government for assistance and their only duty is to see that their investments are sound and that there is no possibility of eventual loss. Whatever be the reason, there can be no question that the matter of adequate fluid resources has been generally neglected.

Those banks which have secured themselves by undrawn cash credits are distinctly in the minority, and at the same time the probability of the permanence of the arrangement must be open to serious doubt. The Joint Stock banks are not likely to increase materially the extent of the business which they are doing with co-operative banks, and it cannot be to their interest to keep always available for the use of co-operative banks large sums of money which they may be called upon to disburse very likely at a time when they themselves are most in need of them.

16. *Illustrations.*—As an illustration of our remarks on the subject of central banks we append the balance sheets, drawn up on 1st January 1915, of two banks which are not unrepresentative of many institutions of

this class. The figures in each case have been reduced so as to show each bank working on a one lakh basis.

	Liabilities.			Assets.		Rs.
	Deposits—	Rs.	Rs.			
From In- dividuals.	On current account	2,590		Cash in hand or bank	...	2,600
	Due for pay- ment in 1915	69,050		Loans to societies of which repayment is expected in		15,000
	Due later	15,340		1915	...	...
	From other societies	4,650	91,630	after 1915	...	82,000
				Other items	...	400
	Shares capital paid up	5,300				
	Reserve Fund	870				
	Dividend equalisa- tion fund	1,200				
	Undistributed profits	1,000	8,370			
	Total	...	1,00,000		Total	...
						100,000
From In- dividuals.	Deposits—			Cash in hand or bank	...	4,160
	On current account	4,670		Loans to societies of which repayment is expected in		
	Due in 1915	25,440		1915	...	24,000
	Due later	7,260		after 1915	...	68,150
	From other societies	23,000		Other items	...	3,690
	Loans from Joint Stock banks	19,760	80,130			
	Share capital paid up	16,000				
	Reserve fund	2,500				
	Dividend unpaid	650				
	Other items	720	19,870			
	Total	...	1,00,000		Total	...
						1,00,000

It will be seen that in both cases the banks do current account business and that the amount of cash in hand is practically equivalent to what they owe on current account. In both cases the bulk of their deposits is on a one year's basis, while the terms of their loans to societies are considerably longer. In the one case the contingent liabilities of the current year are far in excess of the repayments they expect to receive. In the other they are nearly equivalent, but in neither case does any permanent provision exist to meet withdrawals of deposits unsupported by repayments from societies, which might very well fail to come in at the time when wanted or might have to be postponed altogether. The

second bank has a cash credit with a joint stock bank to the amount of Rs. 25,000, but it has already drawn and lent out Rs. 19,760 of this, and will probably have to utilise or keep in reserve Rs. 1,160 more to pay dividends and hold against its current account. If the Joint Stock Bank is prepared in a time of stress to continue its support and does not on the other hand press for repayment of its loan of Rs. 19,760, the central bank will have some Rs. 4000 available to meet fluctuations in its deposits in the current year. It will be noticed however that this bank holds a very large amount in deposit from other societies, of which a certain proportion is probably deposits passed on by other central banks which have no immediate use for them, and the bank should be prepared also for considerable calls on this account. The first bank is obviously purely capitalistic. It works on a very small share capital and considers the provision of dividend more important than the building up of a strong reserve.

On the other hand we append below the balance sheet of a third bank which seems to us to approach more nearly to a standard of safety.

	Liabilities.		Assets.		Rs.
	Deposits—		Cash and Government paper	Loans to societies of which repayment is expected in	Rs.
From Individuals	On current account	3,600	... ...	... ...	11,600
	Due for repayment in 1915	21,000	1915. ...	... ...	24,000
	After 1915	60,000	Later ...	... ...	64,000
From societies		30,800	Other items ...	... ...	400
From Joint Stock banks		600	89,000		
Share capital paid up		8,000			
Reserve Fund		2,000			
Suspense (mainly for reserve fund)		1,000	11,000		
	Total ...	1,00,000			Total ... 1,00,000

In this case the deposits are well distributed and as a matter of fact nearly a half of the amount of Rs. 64000 due after 1915 does not fall due until 1918, while the business of the bank is so arranged as to make the repayments by societies coincide with the terms of the deposits. The money taken from societies is small in amount, and is moreover the property of debtor societies and is not required by them to meet depositors. There is consequently, after providing for current account and repaying the

Joint Stock Bank, a balance of Rs. 7,400, to meet any withdrawals of deposits this year even if societies are unable to make any repayments.

The two first illustrations which we have given above will probably convey more clearly than any lengthy description the position of a large number of these banks. Put shortly, the conclusions at which we arrive as regards these banks generally are that their management is honest and within its lights, efficient and that no fault is to be found with the keeping of accounts or the disposal of money. With the exception that some of them keep current accounts for outside constituents, their business is practically limited to lending to primary societies and, so long as these remain solvent and their members are able and willing to pay, their creditors need have no anxiety that they will not eventually get their money. At the same time there is certainly no assurance that, if even a not very considerable number of depositors wanted their money simultaneously, it would be forthcoming on the due date. At present a large proportion of the depositors have been the shareholders and directors and their relatives who, even when wanting their money, may often be persuaded to extend their deposits rather than embarrass the bank, but with the extension of the co-operative movement the proportion of this exceptional class of money must necessarily become less, and in any case it does not seem right that institutions of this nature should invite the deposit of public money unless they are in a position to fulfil scrupulously and punctually their obligations to their creditors.

17. *Need for Provincial Bank.*—Obviously the first remedy for this state of affairs is the co-ordination of provincial co-operative finance in each province in a strong apex bank, or Provincial Bank, and to insist that Central Banks shall have all their financial dealings with other societies except their own affiliated primary societies, through that apex bank. This will put an end to the system, which is a very real source of danger, of Central Banks investing their temporary surplus assets with each other. The money may be lent out on terms which do not make it available when wanted and the interlocking of their finances may very well result in the fall of one bringing down unnecessarily a number of others in its train. The Provincial Bank might also be the sole medium in the province for dealing with Presidency and Joint Stock Banks. Co-ordination and control in finance is essential and this can only be done within a province by an apex bank possessing the necessary authority. A Provincial Bank can also arrange more economically for the provision of fluid resource, a subject of which we shall treat below. In Bihar and the Central Provinces Provincial Banks have

recently been constituted. In Burma the Provincial co-operative finance can very well remain with the Mandalay Central Bank. If the Madras and Bombay Central Banks are to be placed in the position of Provincial Banks, their constitution will require some modification and they will require to be in a position to enable them to carry out the duties of apex banks. In the other larger provinces Provincial Banks should be formed. When Provincial Banks have been duly constituted, the Central Banks in the province should be affiliated to them for the purposes of control and many of the smaller and weaker banks might with advantage be dissolved or amalgamated with other banks.

18. *Difficulties in maintaining standard of fluid resource.*—There remains however the main difficulty in the matter of these banks, that they take money for comparatively short periods and invest practically the whole of their capital in loans for comparatively long terms under conditions which render it probable that in any one year they may receive practically no re-payments and which may preclude them from calling up or realising these loans if they themselves are pressed. If their only assets are the pro-notes of societies, they are not likely to be able to raise much on these in the ordinary market to repay their depositors. It seems necessary that these banks should equilibrate their business : that they should lend out to societies for such periods as to enable them to count each year on repayments from societies somewhat exceeding the amount of deposits which fall due that year : and that they should in addition maintain a fluid resource in the shape of cash or easily realisable securities. As regards the amount of this fluid resource we have had considerable difficulty in making recommendations. Co-operative banking is new in India and is in many ways entirely different to joint stock banking, and there are consequently few reliable data to go upon, but we think that each Central Bank might be required to hold an amount in liquid assets equivalent to the half of the total of all fixed deposits, which it might under the terms of such deposits be called on to repay within the next twelve months. In cases where current or savings bank accounts are kept practically the whole of the amount of such accounts would in addition have to be covered. In the case of the Provincial Bank the same conditions would apply, but it might be required to hold liquid assets to cover it for a period of one-third of the next twelve months, since its money is invested over a much larger area than that of Central Banks and repayments are much less likely to be affected as a whole. Also, if the liquid resource of all the Central Banks is, as would ordinarily be the case, maintained by the Provincial Bank, it would appear to be possible to reduce

the fraction to one-third, as it is less likely that all banks in the province would require assistance simultaneously. We have taken the period of six months as being the probable duration of a co-operative crisis. At the same time we recognize that the adoption of the conditions we have proposed may be difficult. Deposits for periods as long as are required for agricultural loans may not be obtainable even on much dearer terms. We have proposed the imposition on Central Banks of the maintenance of a staff for assessment of credit supervision and audit, and the cost of this will have to come out of the bank's profit or be met eventually by an increase of the rates at which members of societies borrow. The further cost of the maintenance of a fluid resource will have to be similarly met. In provinces where the rates at which deposits are obtained and at which members of societies borrow allow of a large margin, no immediate difficulty need be anticipated, but there are some provinces where the margins are small already and there is also everywhere a tendency for margins to contract. Where the margin cannot be increased the only alternative is to continue in the present state of financial instability or to provide an agency which would discount the pro-notes of societies for co-operative banks in times of need, and obviate the necessity of their keeping liquid resources. It is more than doubtful whether this agency could be found in the Provincial Banks, as these institutions are unlikely to be able without a guarantee from Government to raise money at rates substantially lower than those at which Central Banks borrow. The problem has already been experienced in all European countries and has been solved, in nearly every case where co-operation has been successfully established, by the State's arranging for the discount of co-operative paper with the ordinary state bank or with a specially constituted co-operative state bank.

19. *Further suggestions.*—There are a few further points on which we may touch here. We have recommended that the staff of Registrars should be increased, and it seems advisable that the cognate subjects of agriculture and industry should be co-ordinated under one head in each province, and we have therefore also recommended the appointment for this purpose, as opportunity offers, of a Development Commissioner who would have the necessary time and practical knowledge to devote himself entirely to the supervision of these branches of administration and whose recommendations and advice would carry due weight with his Government.

Although the subject of co-operation is, like other branches of administration, one primarily for each local Government to deal with inside its

own area, it is a question whether the Imperial and inter-provincial interests involved have not now grown so important as to justify its being treated on the same lines as education and agriculture by the appointment of a co-operative Adviser with the Government of India. The advice and counsel of such an officer would be very valuable to Provincial Governments, Development Commissioners or similar officers, and to Registrars themselves.

Lastly we think it right to inform Government that we found during our tour that considerable misapprehension existed as to its responsibility for the stability of co-operative institutions. We have found in some places a belief held that the movement was guaranteed by Government, a belief which, if not actually fostered by the local supporters of the movement, was not actively contradicted by them. In other cases Joint Stock Banks, and even Central Banks, lending to societies on the recommendation of the Registrar, have considered that Government was thereby placed in a fiduciary position as regards such loans. We have on the other hand found cases where banks in advertising for deposits have expressly stated that, though they had the benefit of Government audit, they enjoyed no Government guarantee. We think that Government should impress on all its officers the necessity of allowing no misapprehension to exist as regards its relations with the co-operative movement and its degree of responsibility for co-operative institutions.

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